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MODERN BUSINESS TRAINING AND THE METHODS AND MACHINERY OF BUSINESS

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MODERN BUSINESS TRAINING AND THE METHODS AND MACHINERY OF BUSINESS

A COMPLETE TEXT-BOOK FOR STUDENTS

By JOHN KING GREBBY

EXAMINER IN "HANDWRITING AND CORRESPONDENCE" AND ALSO IN "BUSINESS TRAINING" TO THE ROYAL SOCIETY OF ARTS; FORMERLY PRIVATE SECRETARY TO THE LATE SIR COURTENAY BOYLE, K.C.B.; AUTHOR OF "MODERN COMMERCIAL CORRESPONDENCE"

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PREFACE

In preparing this book I have tried to keep two objects in mind. Firstly, to give a comprehensive exposition of business methods as practised at the present day; secondly, so to frame the exposition as constantly to bring before the student the principles on which modern business is based.

I have made the book as complete as possible in order that the student may be able fully to answer any question, from elementary to advanced, likely to be set at the examinations held in the subject, including those of the London Chamber of Commerce, the examination in "The Theory and Practice of Commerce" held by the N.U.T., and the recently inaugurated examination of The Royal Society of Arts. It is however my earnest hope that, if the book have any merit, it may be found to reside not in its efficacy as a cramming instrument, but in giving a clear view of the inter-relation of the various branches of business and in power to stimulate thought.

I do not pretend that the book is my own unaided work. It would be small merit if it were. The branches of business are so diverse, and frequently so technical, that it does not appear that one man could, without assistance, treat helpfully of all of them. I have accordingly sought the aid of representative men in various departments of commercial activity, and supplemented my own knowledge by freely utilizing the information and advice they have kindly given me.

Thus the description of office routine in Chap. VI is that actually followed in the office of a large manufacturer. The facts concerning the procedure at the London Commercial Sale Rooms and the forms illustrating the text were communicated and prepared by the Manager of a large firm of Dried Fruit Brokers; those relating to the Wool Exchange by a partner in one of the few firms of

London Selling Wool Brokers. The section relating to Customs and Excise has been revised by a competent hand; while the numerous forms explaining the importation and exportation of goods have all been filled in by the chief shipping clerk of a leading firm of wholesale Grocers. For my facts relating to the Docks and much other information, I am indebted to Mr. A. H. W. Owen of the General Manager's Staff, Port of London Authority, a highly successful Commercial teacher at East Ham Technical College. The facts of Commercial Law interspersed throughout the book are taken, by permission of the Publishers, from Mr. Disney's "Elements of Commercial Law," but should any misstatement be discovered in this connection the responsibility is mine. Mr. T. E. Young, B.A., late President of the Institute of Actuaries, has kindly read the section dealing with Life Assurance, and has also supplied the novel mathematical examples explaining the rudiments of actuarial work. I am also further indebted to Mr. Young and his Publishers for permission to use that luminous work, "A Plain Guide to Investment and Finance," which ought to be in the hands of every Commercial teacher and business man throughout the country. The heavy drafts I have made from this book are frequently in the learned and sagacious author's own words. In the preparation of the section dealing with the Foreign Exchanges I have had the assistance of a foreign Bill Broker; and in that on the Stock Exchange of a Stock Broker. The facts relating to Marine Insurance and General Average are, by permission, taken from Mr. Frederick Templeman's well-known and valuable book "Marine Insurance: Its Principles and Practice"; while those relating to Fire and Miscellaneous Insurance have been kindly communicated by a high official in one of our best-known Fire offices.

Students are reminded that although for convenience of reference the Postal Information is placed as an appendix yet it is an integral and highly important part of the book. Its various sections should be committed to memory, at those points where reference is made to them in the body of the work.

I take this opportunity formally and heartily to thank the many friends—Students, Commercial teachers and Business men—who have assisted me in the preparation of the book.

J. K. G.

October, 1910.

CONTENTS

CHAP.		PAGE
	INTRODUCTION	1
I.	ANSWERING ADVERTISEMENTS; RECORDING INWARD CORRESPONDENCE; COPYING AND INDEXING LETTERS	10
II.	FILING CORRESPONDENCE AND MULTIPLYING COMMERCIAL PAPERS	21
III.	ADDRESSING ENVELOPES; MAKING UP, RECORDING AND DESPATCHING LETTERS, PARCELS AND TELEGRAMS; THE TELEPHONE	31
IV.	THE COMPOSITION OF LETTERS AND TELEGRAMS	47
V.	INVOICING; THE CARE OF INWARD AND OUTWARD INVOICES	74
VI.	LETTERS, INVOICES AND ACCOUNTS—AN OBJECT-LESSON	99
VII.	COUNTING-HOUSE ROUTINE; PETTY CASH; OPENING, RENDERING, COLLECTING, RECEIPTING, CHECKING, AND PAYING ACCOUNTS	109
VIII.	TRADING HOUSES, MERCANTILE AGENTS AND MARKETS	128
IX.	SALE OF GOODS AT A CENTRALISED MARKET	144
X.	PACKING AND FORWARDING GOODS	167
XI.	EXPORTING	182
XII.	IMPORTING—CUSTOMS AND EXCISE; FREE TRADE AND PROTECTION	216
XIII.	RAILWAYS: TRADE ROUTES: CANALS	259
XIV.	THE BANKING ACCOUNT: CHEQUES	288

CHAP. PAGE

XV. Bills of Exchange and Promissory Notes, Drawing Bills, etc. 303

XVI. Partnership; Bankruptcy; Board of Trade 336

XVII. Money and Currency 349

XVIII. Banking; Trading Banks; Savings Banks; Bank of England; Bankers' Clearing System; What is the Money Market? 360

XIX. The Foreign Exchanges 389

XX. Joint Stock Companies; Shares, Stock, and Debentures 415

XXI. The Stock Exchange 450

XXII. Affreightment, Marine Insurance; Particular Average; General Average, etc. 477

XXIII. Life Assurance 508

XXIV. Fire, Employers' Liability, and Other Kinds of Insurance 526

List of Abbreviations 542

Some Foreign Words and Phrases used in Commerce 550

Appendix: Post Office Information 551

Index 575

INTRODUCTION

The foundation of success in Business lies in the possession of good moral character, coupled with mental and physical vigour; in the ability to write neatly and plainly simple, grammatical English, and in a thorough grip of Elementary Arithmetic and Geography. Any youth possessing these qualifications will be gladly welcomed by business men, even though he is quite ignorant of the methods and machinery of business; and the same qualities and attainments which make him an acceptable recruit will, if strengthened and extended, fit him to occupy creditably the higher positions open to him.

The Next Step. The junior with intelligence and ambition will wisely seek every possible aid in his business career. It would take years for him to acquire by experience alone the knowledge possessed, say, by a man competent to control a large counting-house. During those years he would be occupied with the business in its isolated parts. Each successive promotion would bring a further extension of his knowledge, but not till late would the isolated parts become related in his mind, and he be able to take a comprehensive view of a large business as an organised whole. There is therefore every reason why the junior should begin to make acquaintance with the entire machinery of business while he occupies a lowly position, or while he is still at school or college. Such knowledge will give him a more intelligent interest in the particular work in which he is actually, or shortly to be, engaged, enable him to grasp promotion, and, having grasped it, to retain his hold.

Ever a Student. The junior must not, therefore, be content with the knowledge already acquired, but, by continuous and systematic study, enlarge his knowledge (*a*) generally, (*b*) specifically,

in accordance with the requirements of the particular branch of business in which he is concerned.

Objects of this Book. The objects, then, of this book are two-fold:

(1) To furnish an elucidation of modern commercial methods and familiarise the student with the whole machinery of a large general merchant's business.

(2) To explain the legal and economic principles underlying the operations of commerce, and to give an exposition of the specialised branches of business, such as Life, Marine, Fire, and other Insurance, and those connected with the Stock Exchange, the Foreign Exchanges, and the Money Market generally.

General Knowledge and Specialised Knowledge. The Business world may be compared to a college. Just as in some colleges there are two sides—the Classical and the Modern—the educational ends of which are in some aspects distinct, so in business there are two sides, the *Clerical* and the *Merchant's* (I leave out here any consideration of the manufacturing side of a business, with which this book has obviously little to do); and as in a college, notwithstanding the two sides, all the students receive, up to a point, the same training, so also in business there is a body of knowledge and experience which all must acquire, whether they be clerical assistants or merchant's assistants.

The First Question the junior should ask himself is, What section of business do I intend to follow? This is important, for in almost every business of any magnitude there is a strict line of demarcation between a clerical assistant and a merchant's assistant. Take, *e.g.*, a large City firm of wholesale grocers employing perhaps five hundred assistants. Those in the buying, selling, and shipping departments are the merchant's assistants. They handle the goods, they know whence the goods are imported, the prices paid for them, how and where they are sold, and the prices received. They become acquainted with market fluctuations and their causes, they learn to distinguish the different qualities of goods and to appraise their probable market values. Eye, taste, and smell are educated, and each of them may fairly be regarded as a wholesale grocer in the making. From them travellers, buyers, and managers are drawn, and from them new firms come into existence.

On the other hand, the clerical assistants have very little practical knowledge of the goods dealt in. Their work is concerned with—

I enumerate the points in the order of least importance—stamping, recording, and despatching letters, telegrams, and parcels, filing documents, inward and outward, taking down and typing letters, keeping the books of account, rendering statements, collecting debts due to the firm, checking and settling accounts, paying the staff, the control of the banking account, the preparation of travellers' returns and expenses sheets, statistics of business progress, cost accounts, departmental accounts, trading accounts, profit and loss accounts, balance-sheets, minutes of meetings and agenda papers, and, generally, with all the multifarious duties connected with the secretarial, accountant's, cost, and correspondence departments of the firm, the principles of which duties are very much the same, no matter what may be the character of the business.

If, then, the young aspirant elect to find his life's work on the clerical side of a business he must make up his mind to acquire such a knowledge of book-keeping, secretarial work, and business organisation generally as shall constitute him the equal, in all but professional status, of a fully qualified accountant. If, on the other hand, his objective be the merchant's side of a business he will stay on the clerical side sufficiently long to acquire a thorough grasp of its organisation and practical working, and then transfer himself to one or other of the departments closely concerned with the actual handling of the goods.

The Lines of Study. I have said that the junior must ever be a student; and I shall indicate here the lines upon which his studies may profitably proceed. The Board of Education rightly discourages the isolated study of such subjects as shorthand and typewriting, and seeks rather to induce students to qualify in particular courses of study which, while they may include proficiency in shorthand and typewriting, aim at giving the student a thorough all-round knowledge, calculated to develop his mind and fit him, not merely for more or less mechanical posts, but for enlarged spheres of action. In this they are ably supported by the education committees throughout the country, and the many excellent private teachers who prepare candidates for the examinations held by the Royal Society of Arts, the London Chamber of Commerce, the National Union of Teachers, the Union of Lancashire and Cheshire Institutes, the Midland Counties Union of Educational Institutions, the West Riding County Council, the Bankers' Institute, the Institute of Chartered Accountants, the Society of Accountants

and Auditors, the Chartered Institute of Secretaries, the Surveyors' Institute, &c.

I will assume that the student has progressed no further than is indicated in the opening paragraph of this book—that is to say, he is able to write a fair hand, possesses a good knowledge of English, geography, and arithmetic—and, further, that he will avail himself of the courses of study offered by the numerous technical schools and colleges in London and the provinces, or the assistance of some ully qualified private teacher, with a view to the gaining of a diploma from any of the examining bodies already mentioned. To take the subjects in some kind of order, I begin with Handwriting.

Handwriting. It is true that the pen does not play the exclusive part in office work that it formerly did, but it is well to remember that the greater proportion of clerical work is still done by its use. It is true, also, that the ability to write a good hand is now a common instead of a rare accomplishment; but large numbers of youths who could write well appear to consider it more consistent with their dignity to write badly. This is a foolish affectation. Nine out of ten successful applicants for junior posts are chosen because, amongst other things, their letters of application are well written. A bad writer would never be appointed to keep a ledger, or given the post of invoicing clerk, or, indeed, any post where good penmanship was a consideration. And an employer who could not promote an assistant one step at a time would require a good deal of persuasion to promote him two or three steps at a time. Every one, then, should strive to acquire good handwriting. Let it be free, bold, and plain, with short loops, on the lines of what is usually termed the Civil Service style. Flourishes and ornamentation of all sorts are vulgar, and a dissipation of energy which, contrary to general belief, serves no useful purpose in the prevention of forgery. The really difficult handwriting to imitate is not the complicated caligraphy one sometimes sees in the autographs of popular entertainers and others, but the severely plain handwriting usually characteristic of men of action. I speak from my own experience when I say that practice is all that is required to make a bad into a good writer. Get your teacher to select a copybook of a good model (Mr. C. E. Town, the Secretary of the London Chamber of Commerce, and Examiner in Handwriting to the Chamber, has prepared an excellent book of models which can be purchased for 1*s.*), and practise fifteen minutes daily, showing up your work once or twice

a week for criticism. In three months you will be astonished at your progress, particularly if you carry the copybook models in your mind and take as much pains with the clerical work in the office as you do in your copybook practice.

Shorthand and Typewriting. A knowledge of these subjects is extremely useful in the early stages of a commercial career, and in many departments of business essential. Apart from their intrinsic worth as time-savers, which modern business could not dispense with, they are an undoubted aid to accurate spelling and punctuation, they foster habits of neatness and orderliness, and they bring to the junior's knowledge many kinds of commercial documents which in the ordinary way he would not handle. The shorthand-writer and typist is usually in close touch with his principal or manager, who is thus enabled to form a good judgment of his character and ability. Not infrequently the foundation of a successful business career is laid by the way in which the junior discharges these duties. In typewriting a speed of from 40 to 50 words, and in shorthand a speed of anything between 90 and 120 words per minute is, generally speaking, sufficient for commercial work.

But while attaining these accomplishments the student should remember that shorthand and typewriting are not ends in themselves, but means to an end. They are two of the stepping-stones by which he may hope to rise to a responsible position in the business world. He should therefore look forward to the time when he will no longer be engaged taking down and transcribing the words of others, but dictating correspondence himself; and he should lay his plans accordingly.

Foreign Languages. French and German are the most widely used foreign languages in commerce, and the student would do well to acquire a knowledge of one or both these languages. He should learn to *speak* the foreign tongue as well as to *write* it. One frequently meets men perfectly competent to write a French or German letter of an ordinary type who are quite unable to carry on an effective conversation in the language. The question which foreign language the student should concentrate upon is, however, a relative one. It often happens that the foreign language most useful in a particular business is not either French or German, but Spanish, Russian, Portuguese, or an Eastern language—Japanese or Chinese. The discipline of acquiring this language, whichever it may be, would have an immediate beneficial effect, bracing the mind and

developing the character of the student; and later, should the need for sending out a representative or establishing a branch abroad arise, such knowledge, other things being equal, would give the assistant who had had sufficient foresight and resolution to acquire it a good chance of being selected for the post. But as with typewriting and shorthand, so with foreign languages, the student should guard against his business outlook being narrowed to that of a foreign correspondent pure and simple. A good foreign correspondent is usually highly valued by his employer, who is loth to transfer him to other departments and run the risk of inferior service from less competent persons. But a good foreign correspondent, like a good shorthand writer and typist, is not necessarily a good business man, and the aim I would set before my readers is all-round business efficiency rather than special or peculiar efficiency.

Geography. The geographical knowledge of most use in business is geography that has a distinct commercial and economic bearing. It should include, *e.g.*, a knowledge of the trade routes of the world, the distances between different ports, the products shipped from them, the steamship and sailing-ship lines serving them, the average time of transit between different ports (*a*) for steamships, fast and slow, (*b*) for sailing vessels. The student should know the chief railway systems of the world and the districts served by them, and be able to give the towns through which he would pass on a journey, say, from London to Aberdeen, Exeter, Dublin, or Cork, and the routes he would follow from London, say, to Vienna, Vladivostock, or Brindisi. He should know the courses of the great canals in the British Islands, and have a clear notion of the advantages and disadvantages of canal over railway or steamship transit. He should possess a good working knowledge of canal, railway, and steamship rates, and be familiar with the cable systems of the world and the variations of time in different parts. He should have a sound knowledge of the manufactures and commercial products of different countries, and the processes through which those products pass before they become the ordinary articles of trade; and he should learn to appreciate the physical and economic conditions which determine the rise and growth of countries and cities in productive and manufacturing power. Finally, though this scarcely comes under the heading of geography, he should be acquainted with our own Customs and Excise regulations, and with the tariff systems and the rules governing the importation of goods into protected countries.

English. There are few more important subjects than this, and yet few in which the ordinary junior more frequently fails. How rarely does one see a junior's letter undisfigured by orthographical or grammatical errors, or one in which the points are concisely, cogently, and persuasively presented! The student is recommended to practise composition by paraphrasing passages from the standard English authors, and by making *précis* of their contents. Another very valuable aid to proficiency in the kind of composition best suited to business letters is to read through and study a good collection of actual business letters, such as are given in books on commercial correspondence. Careful study of such a collection will enable the student to form a correct style of his own, and, further, serve to make him familiar with the terms and phrases and methods of business adopted in particular trades. Works such as Dr. Abbott's "How to Write Clearly," Trench "On the Study of Words," and Mason's "English Grammar" should be in the hands of every student and thoroughly mastered.

Arithmetic. The student should diligently practise himself in summing long series of figures, set both horizontally and vertically, termed "long and cross tots," and in *mental* arithmetic. Calculations requiring the aid of a pencil should be worked by short methods, a few of which will be found on pp. 201, 410. Short methods are particularly advantageous in the case of interest calculations, and in expressing decimal parts of a pound in sterling. He should be acquainted with the monetary systems of the world and with the metric system of weights and measures, and be able easily to convert the currency of one country into the currency of another, and to express English weights and measures in terms of the metric system.

Book-keeping. This is probably the most important of all commercial subjects, and the student should not be satisfied till he has thoroughly mastered the principles of Double Entry, the preparation of Trial Balances, Cost, Trading, Profit and Loss Accounts, Balance-sheets and Income Tax returns, the methods of dealing with Branch, Consignment, Joint, Royalty, Partnership, and Companies' accounts, the procedure followed in converting private businesses into Limited companies, and in winding up private and companies' businesses.

Further Remarks. I have indicated in the foregoing brief notes the lines on which the student should proceed to qualify for ordinary business positions, but as his responsibility widens fresh demands

will be made upon him. If he is to win any of the *prizes* of commerce he will see the necessity for continuing his knowledge of the principles and practice of book-keeping into the higher regions of *Accountancy*. To an understanding of the commercial uses of Cheques, Bills of Exchange, and other Negotiable Instruments he must add acquaintance with the *Law* relating to those instruments, and the important subjects of Contract, Carriage by Land and Sea, Partnership, Public and Private Companies, Bills of Sale, Bankruptcy, &c. He must have practical knowledge of the relationship between *Landlord and Tenant* and the bases on which business and other premises are purchased or leased, also of the procedure followed in the *Recovery of Debts* and in *Civil and Criminal Prosecutions*. He must keep himself abreast of new developments in *Business Organisation* and *Office Appliances*, master a good treatise on *Banking*, and gain insight into the principles and practice of *Marine Insurance*, *Life*, *Fire*, *Workmen's Compensation*, and other kinds of Insurance; and understand the business of *Bill Broking*, *Stock and Share Dealing*, and the operations connected with the great *Produce Markets*. It will be to his advantage to study a good book on the subjects of *Investment* and *Finance*, and grasp the principles that should govern the investment of his own money and the money of others, and learn to appreciate that the fluctuations in the market prices of securities are not capricious, but due to constantly recurring influences capable of forecast and measurement. *Economics* also is a subject to which he should give serious attention. Strikes, Lock-outs, Conciliation and Arbitration Boards, Co-operative and Profit-sharing Schemes, Industrial Assurance, Protection and Free Trade are subjects intimately connected with industrial and social well-being, and a sound treatise on Economics will throw much-needed dry-light upon all these subjects, which are generally discussed with more heat than knowledge. *Statistics* is another branch of knowledge that should reward the student for his attention, and he will be fully repaid if he learn something of the duties of *Chairmanship* and the conduct of public meetings.

Final Caution. Add to his knowledge as he will, it cannot be too strongly emphasised that the great factor of success in Business Life is that of which I have spoken in the opening paragraph of this book, viz., good moral character. Experience in general, and my own in particular, amply demonstrate that failure in business is more frequently attributable to moral than to intellectual weakness.

It is hardly necessary to say that by good moral character I do not mean the absence of vice merely. It is to be presumed that all my readers are honourable and upright in their dealings, temperate in their habits, and cleanly in their persons. I mean rather that decision of character, steadiness of mind, and fixity of purpose which enable us to pursue a distant goal, impervious to empty ridicule, silent under rebuke, buoyant in the face of difficulty, patient under real or fancied slight, superior to the depressing effects of failure, and above all restrained in the moments of success. This happy condition of mind and heart is not born in us. It is slowly acquired by habits of self-discipline; and the means of self-discipline are not to be sought in remote adventures or unusual penance, but in the way we meet and utilise the common incidents of our everyday life. I may perhaps fittingly conclude these introductory remarks by emphasising the wisdom of adding some counterpoise to the strain of business by both mental and physical recreations. The relaxation of mind secured by the pursuit of some branch of study or rational hobby, and by regular outdoor exercise in any of the various departments of athletics, offers an ample reward in the resulting increased elasticity of mind. Many an unpleasant business episode which would otherwise rankle in the mind and produce a baneful harvest of jealousy, distrust, and peevishness of temper is thrown off and forgotten by what has happily been called "the expulsive power of a new affection."

CHAPTER I

ANSWERING ADVERTISEMENTS; RECORDING INWARD CORRESPONDENCE; COPYING AND INDEXING LETTERS

As a general rule the position of junior clerk is obtained by means of written application in response to an advertisement in the public press. Perusal of the advertisement columns in the more considerable of the London and provincial dailies will reveal quite a number of advertisements worded in some such style as the following:

> Youth required in firm of wholesale tea-dealers. Must be good writer and quick at figures. One just left school preferred. Apply Box 3742, *Daily Telegraph* Office.

Seeing that the applicant's reply is the only ground on which the advertiser can form a judgment of his would-be assistant's fitness or the post, considerable care should be exercised in framing the letter. An application in which nothing is definitely stated but everything left to inference is certain to be unanswered. Such a letter as the following, for example, would be quite useless:

> DEAR SIR,
>
> In reply to your advertisement in the *Daily Telegraph*, I should like very much to get into a wholesale tea firm, and if you care to see me I will call on hearing from you.
>
> Yours respectfully,
>
> WILLIAM BROWN.

So, too, would be an impolite, illiterate, and immodest application like this:

> GENTS,
>
> Seeing your advt. in the *Daily Telegraph* to-day I think I would suit you as I am good at arithmetic and write better than I do sums as you will judge from this. Let me know when you can see me so as I can call.
>
> Yours fly.,
>
> ALBERT TOOGOOD.

The first thing to do is to read carefully through the advertisement, and note particularly the qualifications required by the advertiser. In this instance they are two in number : (1) Good writing, (2) quickness at figures. Assuming that the applicant possesses these qualifications, it should be remarked also that a boy who has just left school is preferred. Remembering, too, that an employer always desires some knowledge of the personal character of the applicant, or to be put in a position to make the necessary inquiries about him, and that the advertiser is a wholesale tea-dealer, we can proceed to draft a reply :

15 Arlington Road,
Tottenham, N.
July 15, 1910.

Sir,

I see in this morning's *Telegraph* that you advertise for a youth.

I am sixteen years of age, and left, only three weeks ago, the Higher Elementary School, Tottenham, where I stood third boy in the 7th Standard. I think I may say I am quick at figures, and this letter will enable you to judge my handwriting.

My late headmaster, Mr. W. Simcox, to be addressed at the school, has kindly promised to speak for me, and I think you will find that his reference will give you every confidence in my fitness for the post.

I may add that my father conducts a retail grocer's business at this address, and I have therefore some acquaintance with the tea trade.

Trusting to receive the favour of an appointment,

I am,

Yours respectfully,
Robert Allpress.

Scrutiny of the foregoing letter will show that (1) every point mentioned in the advertisement has been dealt with ; (2) a fact calculated to further the writer's application—viz., that he possesses some knowledge of the tea trade through his father, a retail grocer—has been wisely introduced ; (3) it is obviously the letter of a modest, intelligent, and well-trained boy, who has nothing to fear from the closest inquiry, and who may, therefore, be called up for an interview with a reasonable prospect of engagement.

There are a few other points to which I may direct the student's attention. He will note that I begin the letter, not with *Dear Sir*, but with *Sir*, as being more respectful, and that I conclude the letter with some formality for the same reason. He will also observe

the comma after the salutation *Sir*, and the commas after the separate divisions of the complimentary close of the letter, *I am*, *Yours respectfully*. Lastly, I may express the hope that when the student himself comes to apply for a situation his letter will be as free from blots, erasures, misspellings, and other disfigurements, and be as accurately spaced and paragraphed as is the imaginary letter here printed. The student must not suppose that careful attention to small details of arrangement and presentment is misplaced. It may make all the difference between success and failure, for an employer who sees perhaps a blot, a misspelling, one or more erasures, or parts of the writing untidily jumbled together, would be inclined to pass over the applicant even though in other respects the letter was unexceptionable.

I will assume that the letter has met with a favourable reception, that an interview has taken place, and inquiry been made of Mr. Simcox, the schoolmaster, with the result that Robert Allpress has been appointed to the post; and I will now introduce him to his work.

The duties of a junior clerk are of necessity simple and somewhat mechanical, but nevertheless they afford scope for intelligent and conscientious service, and advancement will depend upon the way in which those duties are discharged. I am not an advocate of rule-of-thumb morality, for right principles are worth all the prudential and moral maxims ever invented; but if he has not already learned the lesson, a very few days spent in an office should convince the junior that punctuality and thoroughness in the performance of his allotted tasks, tidiness in his person and work, respectfulness to superiors, and scrupulous honesty in all his dealings must be observed if he is to make any headway in his employer's esteem. If the business is a small one he will probably be required to reach the office half an hour before the senior clerks arrive, this interval being occupied by changing the revolving calendars, altering the dating stamps, filling the ink-wells, dusting and generally placing everything in order for the day's work. After the senior clerks have arrived he will be at liberty to proceed with the more important work entrusted to his care. In large offices, however, the dusting, &c. would be done by a resident housekeeper, or by porters; and all the clerks would be expected to arrive at the same hour.

Recording Inward Correspondence. In almost every business-house inward letters, telegrams, &c., are recorded in a *Letters*

Received Book. The record of each letter is naturally of the briefest possible character, but if accurately kept it is valuable; *e.g.*, in cases where the receipt of a letter is in dispute reference to the record would decide the point. Letters are usually opened by the Principal, the Manager, or Head Clerk, who stamps them and any enclosures with a rubber dating stamp; the junior then makes the record in the Letters Received Book at the dictation of the opener. The entries of such letters would appear somewhat as follows:

DATE	NAME	ADDRESS	PARTICULARS
1910			
15 Feb.	Henderson, James, and Son	Calcutta	Order and 90 d/s dft. for £115 10*s.* 6*d.*
	Woodland and Archer	London	B/L&Frt.a/c £3 10*s.*7*d.*
	Forward Bros.	Bermondsey	Invoice £12 10*s.* 9*d.*
	Jones, Alfred	Leeds	Complaint *re* delivery

The particulars recorded vary with different firms; sometimes all letters are numbered in rotation, and a column is provided to show to whom the letters were handed for attention. The student is referred to chap. vi. p. 100, for the routine actually followed in a well-known manufacturing firm.

Copying Letters. An exact copy of all outward correspondence must be made prior to its despatch. This is necessary in order that full particulars of everything that has been said and done by the firm may at all times be accessible. The student will see later that a letter may form part of a written contract, and if a written contract is disputed the issue is decided by the terms of the letters or other documents embodying the contract. It is highly important therefore, that all letters should be copied.

Letters may be copied in one of three ways, by:

(1) The Copying Press; (2) Carbon Paper; (3) the Rotary Copier.

The Copying Press. This is the oldest method of copying letters, and compares unfavourably with Carbon or Rotary copying in that it is (*a*) more expensive, (*b*) less expeditious, (*c*) insanitary, and (*d*) offers less facility for reference. A copying outfit consists of (1) A Letter Book, composed of 250, 500, or 1000 tissue or buff porous leaves, numbered in rotation, and strongly bound, with an alphabetical

index at the beginning of the book; (2) Oil Sheets; (3) Drying Sheets; (4) Water Well; (5) Damping Brush; (6) Copying Press.

To Copy a Hand-written Letter. An oil sheet is placed on the back of the last used leaf of the letter book, and the leaf following, on which the letter is to be copied, is turned on to the oil sheet. The brush, previously wetted in the water well, is then drawn lightly across the tissue leaf—care being taken to leave a dry space at the numbered corner and along the whole length of the inner bound edge of the leaf—a drying sheet is placed over the wet surface, and over the drying sheet another oil sheet. The book is then closed and placed in the press (the back of the book is kept just outside the iron plates of the press to prevent injury to the binding), and the whole pressed sufficiently for the drying sheet to absorb the superfluous moisture. The book is then taken from the press, the drying sheet removed, and the letter, *which must be written in copying-ink*, is placed face downwards on the back of the damp leaf. The whole is then pressed for a few seconds, and when the letter is removed from the book a clear facsimile copy will be found on the damp leaf. The oil-sheets should be left in the letter book to keep the still damp leaf from contact with the other dry leaves, and care must be taken to have the tissue or buff leaf of the right degree of dampness. If too wet both the letter and the copy will be blurred; if too dry the copy will be faint and difficult to read.

To Copy a Typed Letter. When copying a typed letter, which must be typed with a copying-ink ribbon or pad, the damping brush is discarded in favour of a *Copying Bath*, which consists of a tin tray containing a number of damp linen or rubber sheets. One of these damp sheets is placed upon an oil sheet, and the leaf of the letter book is allowed to fall on the damp surface. The letter to be copied is then placed face downwards on the back of the tissue leaf, and an oil sheet placed on the back of the letter, and the whole pressed as before for about two minutes. A typed letter requires longer and firmer pressure than a hand-written letter, as the ink is not so readily given off from a typed as from a hand-written letter.

Loose Press Copies. Sometimes a loose press copy of a letter is required in addition to the copy for office reference. This is obtained by placing a loose tissue or buff sheet similar to the leaves of the letter book in front of the leaf of the letter book on which the letter is to be copied, so that the loose leaf receives the second impression—not the first. The procedure in this case is the same,

except that greater moisture and pressure are required. Letters written in copying ink will easily give three or even four copies; but typed letters cannot be relied upon for so many.

Carbon Copying. This is a more modern method of copying letters than press copying. It is quicker, cleaner, and less expensive than press copying, permits a large number of copies to be made, and affords easier reference, as the copy, being loose, can be filed with the letter to which it is a reply. It is particularly useful where a copy of the same document has to be sent to a number of different people—seven good copies being attainable at one operation. Compared with rotary and press copying, it has one great disadvantage, viz., that the copy, unlike the original, does not bear the signature of the person responsible for the letter; nor does it show any corrections that may have been made in the original, unless, of course, the corrections have also been made in the copy. From a legal point of view, carbon copies of letters are not satisfactory evidence, and firms who duplicate their outward letters in this way also copy them. The process is very simple. The typist places a thin sheet of paper behind the letter heading on which the letter is to be typed, and between the two a sheet of blue or black carbon paper. The whole is then inserted in the machine, and the letter is typed in the ordinary way. The impact of the type bars is felt by the carbon behind the letter heading, and an exact duplicate of the letter is produced upon the thin sheet.

Manifold Books. In many offices, both small and large—the practice prevailing to a considerable extent in wholesale drapery houses—letters and other documents, such as invoices, estimates, &c., are duplicated by means of Manifold Books. These books, varying in size, consist of printed and numbered note, invoice, or other headings—a separate book for each class of document—perforated along the inner bound edge so as to be easily detached, and interleaved with undetachable thin leaves, each being numbered the same as the detachable form immediately before it. A tin plate is placed underneath the undetachable leaf to form a hard writing surface, and a sheet of carbon paper inserted between the detachable and the fixed leaves. The letter or invoice is written with a hard pencil, stylographic pen, or agate stylus, and afterwards torn from the book, leaving the facsimile copy for reference purposes. As each book is used up it is numbered in rotation, and dated and placed in order upon shelves or in cabinets.

Rotary Copying. This is the most modern and the most effective of the copying methods. The cumbersome apparatus necessary for press copying is entirely dispensed with, its place being taken by a compact machine. The paper on which the letters are copied is specially prepared—no water or drying sheets being required—and done up in rolls. The roll of paper is fitted into the machine, and the letters to be copied are fed into the machine by turning a handle. As the letters are copied they are returned at the foot of the machine to the operator, the copies being stored in a roll and afterwards cut off by a lever-knife fitted to the machine—the knife cutting as many as seventy sheets at once. Ten copies can be taken from the same document, and some models are fitted with an expanding wind-up roller, which can be adjusted to cut any size, so that anything from a postcard to foolscap or larger can be copied in the same machine.

Indexing the Letter Book. To facilitate reference, all the letters copied in the letter book are indexed. The indexing may be done (1) in the letter book itself, or (2) by a card index.

Indexing in the Letter Book. In this case the alphabetical index at the beginning of the book is used, the entry consisting of the name of the correspondent and the number of the leaf on which the letter is copied. Assume that letters have been written or typed to the following correspondents:

> *Mr. Walter Wynne, Messrs. James Stewart and Brown, Armitage Robinson, Esq., Dr. Howard Williams, Sir James Crichton-Browne, Bart., the Right Hon. H. H. Asquith, M.P., the President of the Local Government Board, Messrs. Byrne Bros. and Co., F. Spenlove-Spenlove, Esq., Miss Marjorie Bowen, Messrs. E. Rice and Co., Mrs. Ridler, Messrs. Rickett, Smith and Co., Messrs. Spillers and James, Ltd., the General Manager, Great Western Railway Co., the Eureka Trading Co.*

The record in the index, under the appropriate initial letter, will appear as follows:

Asquith, Right Hon. H. H.	12, 18, 56 *
Byrne Bros. and Co.	13, 20
Bowen, Miss M.	14
Crichton-Browne, Sir J.	15

* The references will, of course, be the actual pages on which the letters to these correspondents are copied.

Eureka Trading Co.	16, 21
Great Western Railway Co.	17
Local Government Board	19
Robinson, Armitage	22, 43
Rice, E., and Co.	23, 85, 96
Ridler, Mrs.	24
Rickett, Smith and Co.	25
Stewart and Brown	26, 31, 34, 60, 68, 79
Spenlove-Spenlove, F.	27
Spillers and James, Ltd.	28, 92
Wynne, W.	29, 83, 86
Williams, Dr. Howard	30

As the letters are recorded in the index a small tick or other mark in blue pencil should be made close to the number at the top of the page to show that it has been indexed. It will be noticed that the letters to Stewart and Brown are somewhat numerous, and if a particular letter were required, the date of which was not known, it would necessitate turning up the index entries in order before it could be discovered. To obviate, to some extent, such a loss of time, each letter to a particular correspondent is cross-referenced to the letters to that correspondent preceding and following it. This cross-referencing is in the form of a fraction, which, to be conspicuous, is usually written in large but neat figures with a blue or other coloured pencil. The cross-referencing on Stewart and Brown's letters would appear as follows :

Leaves on which the letters are copied	26	31	34	60	68	79
		26	31	34	60	68
Cross-references	—	—	—	—	—	
	31	34	60	68	79	

The blank in the last cross-reference would be filled in when the next letter to Stewart and Brown was copied and indexed; the blank in the first cross-reference would remain blank, unless letters to Stewart and Brown had been copied in a previous book, and then the reference would be to that book.

The index above described is of the simplest possible kind, the names being entered in accordance with the initial letter, all names beginning with A under A, all beginning with B under B. It will be readily seen, however, that if the entries in a particular index numbered many thousands, instead of something less than a

thousand (the maximum capacity of the ordinary letter book), further subdivision would be necessary. Accordingly we find that in the case of directories, dictionaries, and other large indexes the entries under A proceed in the order Aa, Ab, Ac, &c., Aaa, Aab, Aac, &c., and so on throughout for each letter of the alphabet. Thus the word *Academician* would precede the word *Academy*, and in this instance the order of entry is arranged to the seventh letter. Another system of indexing, mostly used in Government offices, is known as the *Vowel System*. Each letter of the alphabet is divided into six divisions, and entry is made in any one of the six divisions according as the first vowel after the initial letter of the word indexed is *a*, *e*, *i*, *o*, *u*, or the letter *y*, which has the force of a vowel. Thus, instead of one division to the initial letter A, there would be six:

Aa	Ae	Ai	Ao	Au	Ay
Abr*a*hams	All*e*ss	Atk*i*ns	Ant*o*ny	A*u*monier	A*y*scough

and so on for the other initial letters:

Ba	Be	Bi	Bo	Bu	By
B*a*rrett	B*e*rtram	B*i*nyon	B*o*rrow	B*u*lmore	B*y*wood

It will be observed that the first *vowel* is not always the second *letter*. The entries in each division are of course arranged in strict alphabetical order as explained above.

Card Index. This is a better system than that of the index in the letter book, for if the separate cards are sufficiently large one card will provide an index to a dozen letter books. The card may also serve other purposes. It may not only be an index to the letter book—*i.e.* the outward letters—but to the letters, inquiries, &c., received, give the full address and other particulars of a firm, the folio in the ledger on which their account is kept, and the number of the folder in which their correspondence is filed for reference. Further, such an index is capable of indefinite expansion, and as firms drop away their cards can be removed and their places given to fresh cards recording particulars of new customers. A card index may consist of a single drawer of cards or a number of drawers, and the cards can be ruled for any set of particulars as required. The cards may either be loose in the drawers and kept in their places by an adjustable block, or threaded on a rod which passes through the drawer. They may be arranged

(1) numerically, (2) alphabetically, (3) geographically according to countries, districts, counties, or towns. Whatever classification is adopted, reference to the cards is further facilitated by guide cards, which project above the ordinary index cards. A card index can be seen at any public library.

General Hints: the Care of the Letter Book. 1. Never tear spoiled leaves from the letter book, but cancel them with blue pencil, giving the reference to the unspoiled copy.

2. Repair torn leaves with gummed paper.

3. See that all the leaves are kept perfectly flat. Sometimes a letter book is closed hurriedly, and the leaves get crumpled, particularly the top corners of the leaves where the numbering is. All crumpled leaves must be straightened out, or facility of reference will be much impaired.

4. The leaves of a letter book are only numbered on one side. See that all letters are copied on the back of the leaf, so that the letters are always read on that side of the leaf on which the numbering is.

Test Paper I

1. How is the position of junior clerk usually obtained?
2. Frame an advertisement such as a merchant requiring a junior clerk would be likely to insert in a newspaper.
3. What precautions would you take when replying to an advertisement for a junior clerk?
4. Reply to the following:

> Junior clerk wanted for engineer's cost office. Must be quick and accurate and with some little experience.—Address A. B., Box 254, *Manchester Guardian* Office.

5. Albert Toogood's letter (*see* p. 10) is described as "impolite, illiterate, and immodest." Criticise the letter from these three points of view.
6. How is the inward correspondence recorded? What purpose does the record serve?
7. Why must all outward letters be copied? Which is the best method of copying letters, and why?
8. Describe the method of copying a letter by the copying press, the carbon process, and the rotary process.
9. In what particular is the carbon process less effective than the copying press?
10. Describe the methods of indexing a letter book.
11. Write a short essay on "Punctuality is the Soul of Business." (N.U.T.).
12. Reply to the following advertisement: "Junior clerk wanted. Must be good at figures, good writer and have a knowledge of shorthand. State age, wages and reference. Address A 195, *Birmingham Daily Post*." (Mid. Counties U.).

13. Letters have been sent to the following correspondents: Messrs. Arthur Tooth and Sons; Messrs. Wood, Son and Co.; the Rev. Gunion Rutherfoord; the Assistant Secretary, London and Provincial Exchange; Mrs. Emily Radford; the Rix Smelting Co.; Dr. John Abbott; the Headmaster, St. John's College. Leatherhead; John Powis-Foote, Esq.; Messrs. Edward Gray and Fitch; Messrs. Anthony Schröder and Son; Messrs. Spellers and Pakers, Ltd.; Messrs. J. Lyons and Co., Ltd.; the Grafton Fur Co. Index them alphabetically as you would in a letter book index.

14. Index the following on the vowel system: Messrs. Byward Bros. and Ward; Messrs. Bertrams, Ltd.; Messrs. Babcock and Wilkins; Messrs. E. Batger and Co.; Mr. A. J. Baldwin; Mr. C. Bannister; Messrs. E. Benetfink and Co.; Messrs. Bell and Bradfute; C. J. Buvington, Esq.; Messrs. Charles Bembrose and Co.; Mr. John Bretts; Messrs. Biddulph, Son and Sharman; Messrs. Bingley and Follitt; Messrs. Edward Binks and Son; Lieut.-General Sir Bindon Blood; Mr. John Birdsall; Messrs. Bidewell Bros.; J. A. Boddy, Esq.; the Bollo Hand Laundries, Ltd.; the Bude Trading Co.; Messrs. Barclay and Co., Ltd.; Messrs. Byles and Roden; Mr. John Biden; the General Manager, Brennan Explosives Co., Ltd.; the Bultfontein Mining Co., Ltd.; the Bonanza Exploration Co.; Messrs. J. H. Barraclough and Sons.

15. Rule a form of inward correspondence book, and enter six communications.

16. In what ink must a letter be (*a*) written or (*b*) typed in order to be press copied?

17. How are carbon copies of letters obtained?

18. What is a manifold book? Describe the process of manifolding as used in a wholesale drapery house.

19. Mention a few points which the junior should observe in his care of the letter book.

20. What is a card index? Describe its advantages over other indexes.

21. Describe cross-referencing as applied to the letter-book and illustrate your description by an example.

22. Make a vowel index for the following: The Effra Paper Mills, Ltd.; Mr. James Elkington; Lt.-Genl. Ewart; Messrs. Empson & Dudley; Messrs. Entwistle Bros.; Mr. B. Ewins; Mr. R. Engelbach; The Secretary, Empire Trading Co. Ltd.; Mr. G. Egton; Mr. Justice Eve; Mr. Seth Enoch; The Erasmic Soap Co.; The Publisher, *Eatanswill Gazette*: Dr. Edenbridge; Messrs. Eckroyd & Ampthill; Esmond's Dry-Cleaning Co. Ltd.; Messrs. Eggers & Co.; The General Manager, Ellangowan Spinning Co. Ltd.; Mr. Thomas Esson; Prof. Euler; Mr. Walter Emmanuel; George Eliot; The Rt. Hon. Lord Ebury; Miss Eyton; Mrs. Ebbsmith; Messrs. Erdmann & Schwann; Sir James Etty, Bt.; The Etruria Pottery Co. Ltd.; Messrs. Ennever Bros.; The Economic Furnishing Co. Ltd.; The Ensign Advertising Co. Ltd.; Col. Sir Robert Eames; The Ellerman SS. Lines, Ltd.; Miss May Edmundsen.

CHAPTER II

FILING CORRESPONDENCE AND MULTIPLYING COMMERCIAL PAPERS

Filing Correspondence. The necessity for preserving a copy of all *outward* correspondence in a manner affording the utmost facility of reference has already been emphasised. A similar necessity exists for preserving all *inward* correspondence. A contract (*see* p. 128) is two-sided; it expresses a double set of obligations. On the one side, the obligations of the firm to its customer; on the other side, the obligations of the customer to the firm. The vast majority of contracts are, from their inception, written contracts. No careful business man trusts to verbal arrangements. But if a contract is provisionally made by word of mouth, it is, or should be, subsequently confirmed by both parties in writing. These points will all be fully explained in chap. VIII. The outward correspondence, then, expresses the firm's obligations, the inward correspondence the customers'. Hence the best system of preserving correspondence is one that brings both outward and inward correspondence together—*i.e.* one where the answer to a letter is filed with the letter to which it is an answer. The system of *Filing* fully provides for this juxtaposition, but as many firms still adopt the older method of *Docketing*, this also must be mentioned. There are, then, two systems of preserving commercial papers:

(1) Docketing; (2) Filing, divided into (*a*) Flat, (*b*) Vertical filing.

Docketing. This method, notwithstanding its antiquity, is still widely used, especially in professional and the smaller commercial offices. Assuming that letters, invoices, and paid statements are all treated in this way, two or three nests of pigeon-holes will be required—one nest of twenty-four for the letters, and either one set for invoices and paid statements combined, or one set for each. The

letter is folded in the direction of its length, to open from right to left, once for 8vo, twice for 4to and three times for foolscap size, so as to reduce all to a common dimension of width. On the outside at the top are neatly written (1) the name of the correspondent: (2) the town; (3) the date, with (though this is frequently omitted) (4) the briefest possible note of its contents. *E.g.:*

Howard and Sons
London, 14 *Mar.*, 1910
Order

or

Adams and Hyslop
Leeds, 15/4/1910
re Damaged Goods

This is the docket. The docket on an invoice or paid statement is somewhat different; *e.g.:*

Howard and Sons
London, 14/5/1910
£10 0 6
Invoice docket

Adams and Hyslop
Leeds
Jan.–June, 1910
£116 10 6
Paid statement docket

When the letters, &c., have all been docketed they are distributed amongst the pigeon-holes in their respective nests—A under A, B under B, &c. In cases where much correspondence passes to and fro, as, *e.g.*, between a firm and its traveller, a special pigeon-hole could be assigned for its reception. At stated periods, once a month if the correspondence is fairly heavy, but otherwise at longer intervals, the pigeon-holes are cleared and the letters, &c, sorted both alphabetically and in order of date, and then tied up into bundles between thin paper-covered boards or stout cards a little wider than the folded letters, &c., to prevent the string or tape from cutting their edges. The contents of each bundle are then clearly marked on the outside, and the bundles stored away in boxes, on the outside of which the contents are also indicated. This marking should be done in block letters—*i.e.* in letters of the same height and thickness; *e.g.*:

LETTERS
A—L
Jan. to Mar.
1910

PAID
STATEMENTS
1910

INVOICES
Jan. to June
1910

The student will at first find this block lettering a little troublesome,

but if he will devote an hour or two in odd moments to copying the following model he will soon gain proficiency :

A B C D E F G H I J K L M
N O P Q R S T U V W X Y Z
1 2 3 4 5 6 7 8 9 0

Filing : Flat System. This is a great advance upon docketing, as it not only permits much readier reference, but the outward correspondence, which has either been duplicated by the carbon process and then copied in the letter book, or copied on a rotary copier, can be filed with the inward correspondence to which it relates. This, it is true, could also be done in the case of docketing, if the outward letters were duplicated as well as copied, and the duplicates attached to the inward letters connected with them, but, as a rule, where the method of docketing is followed the outward letters are only copied in the letter book.

There are many makes of flat files, differing in detail but agreeing fairly in principle, and, though I have no intention of recommending any particular make, I will describe two—frequently found in offices—the *Pilot* and the *Shannon*, as typical of the whole, making incidental mention only of such files as *Box Files* and *Satchel Files*, which are little better than mere receptacles for papers.

The Pilot File. This file consists of a stout binding case, from the lower cover of which project two small hollow tubes about $3\frac{1}{2}$ inches apart. The letters or other papers to be filed are punched with two circular holes, the same width apart as the hollow tubes, by means of a small machine made for the purpose, and threaded upon the hollow tubes. The file is then closed by a steel staple, the prongs of which fit into the hollow tubes. The papers are secured by a movable spring attached to the staple, which is pressed into position when the staple has been fitted into the tubes, and the whole is then further secured by a small catch which moves freely along the horizontal bar of the staple and fits into a metal slot permanently fastened to the back of the binding case. This file opens like a book, and the alphabetical divisions are indicated by stout manilla covers lettered on the outer edge like the index of a letter book or ledger. The letters are filed

alphabetically, dictionary-wise (*see* p. 18), in order of date; *i.e.* the most recent letter sent to or received from a particular correspondent appears at the top of that person's correspondence. Letters can easily be referred to, added to, or removed from the file without disturbing the order of the papers. The number of files required varies with the size of the business. They can be used singly, one for the whole alphabet for letters, one for accounts, one for invoices, &c., or the alphabet can be divided between three, six, twelve, twenty, thirty, fifty, or more files. Files used singly would be quickly filled, but a series could be brought into service that would contain the whole correspondence, say for a period of twelve months. When the files are full the letters may be removed, tied up into bundles and labelled, but as the initial cost of these files is small they are, as a rule, merely numbered and dated, stored upon shelves or in cupboards, and a fresh set brought into use—each file of the new set being cross-referenced to the corresponding file of the old.

The Shannon File. This file consists of a cabinet of from four to sixty-four compartments, standing upon a strong base, which is used as a cupboard for storing old papers that have been removed from the file. Each compartment contains a file in the form of a drawer, which can be completely removed from the cabinet. The papers are punched and threaded upon two spikes projecting from the base of the file, the divisions of each file being indicated by manilla covers lettered on the outer edges as in the case of the Pilot. When the papers have been filed and the file is to be closed a stout cardboard cover hinged to an eyeletted metallic plate (so that it can be thrown back when reference is being made to the file) is threaded upon the spikes and a double arched spring fitted to the base of the file is pressed over the tops of the spikes. The drawer is then placed in the cabinet. A metallic frame is fitted to the front of each drawer, into which a card indicating the contents of the drawer is slipped. A filing cabinet of twenty-four drawers might be arranged as follows:

Letters	1 drawer each for	A, B, C, D, E, F, G, H, K, L, M, N, S, T.
	1 „ „	I & J, O & P, Q & R, U & V, W to Z.
	1 „ „	Invoices, Statements, Travellers' Correspondence, Business Statistics, and Management.

When the file is full, or at stated periods, say, every twelve months, it is cleared, and the contents, just as they lie in the file, are removed to binding or transfer cases, as they are called. These transfer cases are then lettered, dated, and numbered, and placed in the cupboard on which the filing cabinet stands. Note of the transfer is made in the spaces provided for such notes on the cardboard cover inside each separate filing drawer. In this way a particular customer's correspondence can be traced from transfer case to transfer case over a period of years.

Upright Filing. This system marks a still further advance in the filing of commercial papers. A cabinet is used as in the case of the Shannon, but the drawers are much deeper, as the papers do not lie horizontally in them, but vertically. A stout manilla cover, termed a *folder*, is given to each customer. The back of the folder is a little higher than the front, so that the customer's name lettered upon it shows above the level of the front part of the folder and the papers enclosed in the folder. All the letters received from and the copies or carbons of letters sent to a particular correspondent are placed, in order of date, in that correspondent's folder. The folders may be arranged in the drawers alphabetically, geographically, or in any other convenient order (*see* p. 18), but they are more frequently numbered in rotation and arranged numerically. Where the numerical arrangement is followed a card index is used (*see* p. 18), and the index may be so arranged that the number given to a particular customer's folder is the number of the folio on which his account appears in the ledger. All filing cabinets can be, and usually are, fitted with locks, or roller shutters and locks, so that privacy is secured for the papers contained in them.

Points to Remember. Systems of filing depend for their efficacy upon the clerk in charge of them. A methodical clerk could do better with an old-fashioned system, such as docketing, than a careless and neglectful clerk would do with a thoroughly modern system, such as upright filing. Filing must be regularly and carefully done. On no account allow unfiled papers to accumulate. A task that is easy of accomplishment done daily becomes a burden if left for a week. Be particularly careful to make proper notes of all papers that have been removed from the file for reference, and see that they are duly returned to their places when done with.

Multiplying Commercial Papers

Most businesses nowadays are built up by advertising. Some businesses of doubtful benefit to the public could not be carried on at all except by this means; but even where a business is in itself perfectly legitimate, and performs useful functions for the community, advertising in one or other of its many forms is indispensable. The word advertising does not exclusively mean advertising in the daily press, or advertising by means of posters upon hoardings. All methods of publicity, the purpose of which is to consolidate or extend the knowledge of a particular firm's manufactures or articles of trade, are included in the term. Thus *Circular Letters*, *Market Reports*, *Price Lists*, *Prices Current*, *Special Offers*, &c., are specialised advertisements. The medium for the dissemination of such advertisements, where delivery by hand is not adopted, is the halfpenny post. It is obvious that to multiply identically worded documents of this character by hand, or even several copies at a time by the use of carbons in connection with a typewriter, would be a tedious and costly process. Hence several methods have been adopted by which a single document can be quickly and cheaply multiplied to any extent desirable. These methods are: (1) Printing; (2) the Hectograph; (3) the Mimeograph; (4) the Rotary Multiplier.

Printing. Where very large numbers of a particular document are required, or where the document to be multiplied extends to several pages, the printing press is the cheapest and most effective means that can be employed. Its effectiveness is very much increased—though only at a greatly enhanced cost—if the services of the artist and the block-maker are enlisted to supplement the printer's skill. Fine half-tone illustrations or choice reproductions in two, three, or more colours have great "drawing" power, as the attention of most people is arrested far more by pictures than by print. Still, good letterpress is in itself a considerable attraction, and those who have seen specimens of the work of the historic printing houses of this country will know what charming effects can be obtained by the use of fine type, well set and carefully imposed upon good paper. The only criticism that can be brought against the use of the printing press in this connection is its impersonal character. Everybody who receives a printed circular knows that he is one recipient amongst thousands, whereas one object of the

advertiser—the person who sends out the printed thing—is to give each person to whom he sends it the impression that it is specially addressed to him. Hence methods have been devised in connection with the printing press by which a type- or hand-written circular is reproduced *in facsimile;* and these methods have been so perfected that the ordinary person must give more than a passing glance at circulars produced in this way in order to detect that they have been mechanically produced, and not separately done by pen or typewriter. This difficulty of detection is further accentuated by afterwards inserting the names and addresses of the different people to whom the circulars are sent, to look as though the whole thing had been done by a continuous operation.

The Hectograph. This is an old-fashioned method which, from the point of view of effectiveness, is least to be recommended. The apparatus consists of a metal tray, a tin of gelatine, and a bottle of hectograph ink. The gelatine, melted by putting the tin into boiling water, is poured into the tray and allowed to cool off into a solid mass with a firm and smooth surface. The circular, written or typed, in the special hectograph ink, upon non-absorbent paper, and unblotted, is placed face downwards on, and pressed upon, the surface of the gelatine. The gelatine absorbs the ink, and when the original is removed and a sheet of paper is placed on and pressed upon the gelatine, either by hand or a roller, a facsimile copy is given off. Care must be observed when taking the impressions not to leave the paper on the gelatine for too long a time. When sufficient copies have been obtained the ink should immediately be washed off the surface of the gelatine with a sponge and warm water. To ensure clean and legible copies the gelatine should be periodically remelted. From forty to sixty good copies can be obtained, but for a greater number the gelatine should be washed and the writing of a fresh original impressed upon it. The foregoing method of multiplication is used chiefly by secretaries of societies for informing members of meetings, &c., or by large firms for staff announcements.

The Mimeograph. This is a much more effective process than the hectograph, and is largely used by business houses for circularising customers, and for multiplying such things as market reports, &c., where the necessary information is frequently not to hand till an hour or so before the time for despatching the provincial and foreign mails. The machine consists of two parts: (1) a writing

frame, and (2) a printing frame. The essential feature of the mimeograph is the *stencil.* A stencil may be (1) hand-made or (2) typed. If the stencil is to be hand-written a sheet of wax paper is stretched over the file-like surface of the writing frame and the matter to be reproduced is written upon the wax surface by means of a metal stylus. The stylus, travelling over the hard file-like surface on which the wax paper rests, cuts through and expels the wax, so that when the ink is applied to the surface it passes through the places scored by the pen and forms the letters and words on the paper placed beneath it. *When the stencil is to be typed* the ribbon or pad must be removed from the machine and the face of the type thoroughly cleaned. Then take the oiled tissue sheet, which acts as a protector to the wax sheet, and place it in front of the wax sheet; behind the wax sheet place the sheet of perforating silk, and behind that again the backing sheet, fold the sides and top of the tissue and wax sheets over the backing sheet, and then place the whole into the machine—tissue sheet toward you—and type the matter to be reproduced as you would an ordinary letter.

The stencil—either hand- or type-written—having been obtained, it is stretched and fastened into the printing frame of the machine. A sheet of paper is placed under it, the frame holding the stencil is then brought down upon the surface of the paper, resting upon the bed of the machine, and when an inked roller is played over the surface of the stencil and the frame is raised an exact facsimile will be found upon the paper. The sheet is then taken out, a fresh one inserted, and the process repeated till a sufficient number of copies have been obtained. Before printing, the stencil should be well inked and trial impressions taken till the impression is found to be perfectly uniform in outline. The work of printing is much facilitated if the printing machine is fitted with a self-lifting frame. A large number of sheets of paper can then be placed in position in the machine at once, and removed one at a time, as the frame lifts after each passing of the roller over the stencil. Before despatching circulars, &c., produced in this way time should be given them to dry. The drying is done either by placing the circulars between tissue leaves bound in book form, or sheets of blotting paper similarly bound. Frequently, when this method of multiplying documents is adopted, the circulars are afterwards placed in the typewriter and the names and addresses of the persons to whom they are to be sent are typed upon them in the same coloured ink as the body of the circular. Any number

up to 1000 copies can be obtained by this process from a single original.

Rotary Multiplier. This is a machine which may be worked either by hand or by a small electric motor. A stencil is made as already described, and placed over a linen ink-pad stretched upon the outer surface of a perforated cylinder supported by a metal framework. The pad is inked by a rubber roller resting in an ink reservoir suspended between the two sides of the framework. By means of a lever the roller is brought into contact with the inside of the cylinder and supplies the necessary ink. The handle of the cylinder is rotated, and as the sheet of paper is fed into the machine it is gripped by a rubber roller, pressed against the stencil, carried round the revolving cylinder, and returned printed from the other side of the machine. From sixty to eighty copies of a circular can be produced per minute by hand, and over 100 per minute by motor, and some 5000 copies from a single original. The speed of the machine is very much accelerated in some models by an automatic arrangement for feeding the paper into the machine.

Test Paper II

1. Mention the different methods of preserving commercial papers.
2. Which system of filing would you recommend, and why?
3. Give specimen dockets for the following: Invoice, Paid Statement, Letter.
4. Write the word *Estimates* in block letters, and show how you would label a bundle of paid accounts which had been rendered between the dates January 1, and March 31, 1910.
5. Describe a system of filing you would recommend for introduction into a large office.
6. Scheme out the way you would divide up a Shannon file of thirty-six compartments.
7. In what order may letters be arranged in a filing cabinet?
8. Mention a few points that should be observed in connection with the care of the letter book.
9. What is a Folder? What is a Transfer Case, and what method is adopted for tracking correspondence that has been removed to transfer cases?
10. Mention the ways in which commercial papers are multiplied.
11. When would you recommend the use of the printing press for the multiplication of papers? If the printing press has any drawback in this connection, what is it?
12. What part does advertising play in modern business? Would you call a price-list an advertisement? If so, why?

13. Whether is the Hectograph or the Mimeograph the better multiplier? Describe the Mimeograph machine and the way you would use it.

14. How is the impersonal character of the work done by the printing machine sometimes overcome?

15. On what do all systems of filing depend for their success?

16. "A contract is two-sided." Amplify this statement, and show how it should determine the filing method adopted.

17. Shew how the following would be indexed in the letter-book: The Rt. Revnd. the Bishop of Wells; Admiral Lord Walter Kerr; General Kelly-Kenny; Messrs. Arthur Tooth & Sons; The Secretary, Madresfield Agricultural Society; The Co-operative Wholesale Society, Ltd.; Mr. J. Cornford Cope; Messrs. C. M. Crompton Sons & Co.; Bovril, Ltd.; The Saxe Trading Co.; Price's Patent Candle Co. Ltd.; Chief Accountant, Bank of England; The Lamson-Paragon Supply Co. Ltd; The Editor, *Daily Telegraph;* Mr. C. E. Martin-Edwards; The President, Local Government Board; Messrs. Horsfield Sons & Mackrell Bros. Ltd.; Messrs. Chas. Scribner's Sons; Dr. W. Pitt-Payne; Mr. Justice Scrutton; The Rt. Hon. the Earl of Rosebery, K.G.

18. Take the first opportunity to inspect a filing cabinet and a nest of pigeon holes, and then make a rough drawing of both from memory.

19. Reply to the following advertisement: "Junior Clerk required in the counting house of a large firm of Wholesale Druggists. Preference will be given to applicants having practical experience of counting house work. Apply stating age, salary required, and full particulars to Box 6978, *Daily Telegraph.*"

20. Write a letter to an imaginary friend instructing him how he should answer advertisements for situations.

21. Suppose you wanted a loose press copy of a letter how would you obtain it?

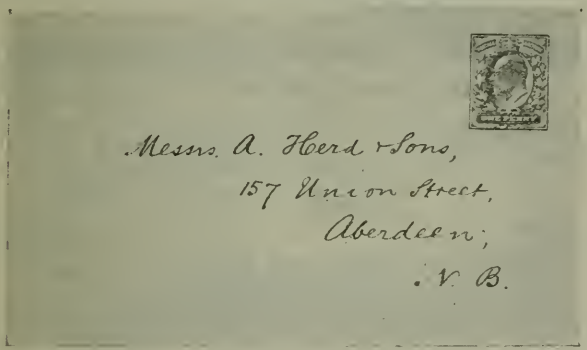
22. Write a brief essay on the subject of "Preparation for Business Life."

CHAPTER III

ADDRESSING ENVELOPES; MAKING UP, RECORDING AND DESPATCHING LETTERS, PARCELS AND TELEGRAMS; THE TELEPHONE

After the junior has copied the outward correspondence it is usually his duty to stamp and post the letters, and not infrequently to perform the prior operations of addressing the envelopes and making up the letters.

Addressing Envelopes. Few things are more annoying to business men than letters returned undelivered through being incorrectly or



insufficiently addressed, or, as is sometimes the case, through not being addressed at all. Envelopes must be plainly and boldly written, the size of the writing, of course, being proportioned to the size of the envelope. In addition the words and abbreviations should be properly punctuated, and the lines accurately spaced, indented, and cut off by commas. *E.g.*:

James Randall Paterson, Esq.,
13 Brocklesby Chambers,
Victoria Street,
Westminster,
S.W.

Messrs. Woodland and Harper, Ltd.,
Woollen Manufacturers,
18–20 Queen Street,
Bradford,
Yorks.

NOTE. When addressing envelopes from one part of London to another it is not necessary to add the word "London" to the address, the name of the borough and the Post Office (P.O.) district being sufficient; *e.g., Islington, N.*; *Bermondsey, S.E.* Correspondents in the City of London are simply addressed to the name and number of the street or road, with the P.O. district—viz., "E.C."—added; *e.g., 17 Leadenhall Street, E.C.*; unless, of course, the letter is sent from a provincial city or town, when the word "London" should also be added. In the case of large provincial cities, such as Liverpool, Manchester, &c., it is advisable to add, where known, the postal district to the name of the city. Different towns which have the same name, *e.g., Bradford, Newport,* &c., should have the name of the county appended. Letters addressed to the United States (U.S.) should bear the name of the State as well as that of the town. A full list of the customary abbreviated forms will be found in the List of Abbreviations (pp. 542–550).

Modes of Address. A tradesman should be addressed as, *e.g.*,

Mr. James Henderson,
Draper,
115 High Street,
Godalming,
Surrey.

A firm as, *e.g.*,

Messrs. Joseph Parker and Sons,
Woollen Manufacturers,
42–48 Darley Street,
Dewsbury,
Yorks.

or

Messrs. J. and P. Coats, Ltd.,
Paisley,
N.B.

NOTE. "Messrs." should never, however, be written before the name of a firm trading under an impersonal title; *e.g., The Vulcan Iron Co., The Grosvenor*

Press, Ltd. Firms of lady milliners and dressmakers prefer, as a rule, to be addressed *Mlle.* in the French style, as, *e.g.*, *Madame Rayner*, or *Mlle. Rayner, Mesdames Smith and Willoughby*, instead of *Mrs. Rayner, Miss Rayner*, or *The Misses Smith and Willoughby*.

A private gentleman or graduate of a university should be addressed as, *e.g.*,

Arthur Winterburn, Esq.,
Old Hall,
Manningtree,
Essex.

or

Charles Capper, Esq., M.A., LL.D.,
Balliol College,
Oxford.

A professional man as, *e.g.*,

Dr. Robert Montgomery, or *Robert Montgomery, Esq., M.D.*

or

Professor Scott-Elliott,
The Newton,
Maxwelltown,
by Dumfries,
N.B.

A clergyman as, *e.g.*,

The Rev. W. Parkinson, M.A.; The Very Rev. the Dean of Ripon; The Right Rev. the Lord Bishop of Durham; His Grace the Archbishop of Canterbury.

A knight as, *e.g.*,

Sir Richard Scourfield (sometimes *Kt.* is added).

If possessed of any order this also should be added, as, *e.g.*,

Sir Richard Scourfield, K.C.B., K.C.M.G.

A baronet as, *e.g.*,

Sir James Abercromby, Bart.,

and the orders (if any) after *Bart.*

The correct modes of addressing the various ranks of the peerage can be found in any good dictionary.

A French tradesman should be addressed as, *e.g.*,

M. Edouard Richet,
10 Rue du Sentier,
Paris,
France.

A French firm as:

MM. Henri Rochefort et Cie.,
24 Rue de la Charité,
Lyons,
France.

A French limited company as:

La Société Anonyme Internationale de Transports
9 bis, Quai du Canal,
Marseilles,
France.

A German tradesman as:

Herrn Max Weyland,
13 Mittelstrasse,
Hamburg,
Germany.

A German firm as, *e.g.*,

Herren Hollander und Schmitt,
17 Obernstrasse,
Bremen,
Germany.

NOTE. Germans and Continental people generally put the name of the town before that of the street and the number of the house after the name of the street; *e.g.:*

Herrn John Maxwell,
Glasgow,
Argyll Street 19–21,
Schottland.

"Herrn" is the dative singular of "Herr," "Herren" the dative plural; so that "Herrn Max Weyland" and "Herren Hollander and Schmitt" equal respectively "To Mr. Max Weyland" and "To Messrs. Hollander and Schmitt."

A German limited company is addressed as, *e.g.*,

Löbl. Stuhr'sche Buchhandlung u. Kunsthandlung G.M.B.H.,
17–18 *Unter den Linden,*
Berlin,
Germany.

NOTE. "Löbl." is a contraction for *Löblichen = to the worthy;* "Stuhr'sche" = *Stuhr's.* The letters "G.M.B.H." stand for "*Gesellschaft mit beschränkter Haftbarkeit*" = *company with limited liability.* Thus in English the direction would read: *To the worthy Stuhr's Bookselling and Art-selling Business, Ltd.*

An Italian tradesman as, *e.g.*,

Sig. A. Hoepli,
12–16 *Galleria de Cristoforis,*
Milan,
Italy.

An Italian firm as, *e.g.*,

Spett. Ditta Bocca Fratelli,
94 *Piazza S. Claudio,*
Rome,
Italy.

NOTE. Sig. = Signor; Spett. Ditta = Spettabile Ditta (eminent commercial house).

An Italian limited company as, *e.g.*,

Spett. Società Anonima Tensi,
14 *Via S. Paolo,*
Milan,
Italy.

A Spanish tradesman as, *e.g.*,

Sr. Don Miguel Ramirez,
25 *Alcala,*
Madrid,
Spain.

A Spanish firm as, *e.g.*,

Srẽs. Arturo Beyer y Cia.
5 *Rambla de Cataluna,*
Barcelona
Spain.

NOTE. Sr. = Señor; Srẽs. = Señores.

A Spanish limited company as, *e.g.*,

La Compañia Anónima de Seguros Aurora,
14 Gran Via,
Bilbao,
Spain.

NOTE. The address reads: *The Company Anonymous of Insurers Aurora*, or, as we should say in English, *The Aurora Insurance* [or *Assurance*] *Company, Ltd.*

Generally speaking, correspondents in Latin countries and in Turkey and Greece may be addressed in the French styles, Scandinavian and Austrian correspondents in the German, Russian correspondents either in the French or German styles.

Making up Letters. The appearance of a letter may easily be quite spoiled by careless folding.

Commercial stationery is usually in one of four sizes:

(1) Folio (Fo.); (2) Quarto (4to); (3) Octavo (8vo); (4) Sixto (6to).

The actual dimensions of these sizes vary with the dimensions of the sheet of paper from which they are cut; but the most common are approximately as follows:

FOR LETTERS

Foolscap Folio (F'cap. Fo.)	$12\frac{3}{4}'' \times 8''$
Large Post Quarto (La. Post 4to)	$10'' \times 8''$
Post Quarto (Post 4to)	$9'' \times 7\frac{1}{8}''$
Large Post Octavo (La. Post 8vo)	$8'' \times 5''$
Post Octavo (Post 8vo)	$7\frac{1}{8}'' \times 4\frac{1}{2}''$

FOR INVOICES

F'cap. Fo.	$12\frac{3}{4}'' \times 8''$
La. Post 8vo	$8'' \times 5''$
Post 8vo	$7\frac{1}{8}'' \times 4\frac{1}{2}''$

FOR STATEMENTS

F'cap. Fo.	$12\frac{3}{4}'' \times 8''$
La. Post 4to	$10\frac{1}{2}'' \times 8\frac{1}{4}''$
Demy Sixto (Demy 6to)	$7\frac{3}{4}'' \times 6\frac{5}{8}''$

The envelopes to contain the above are as follows:

Foolscap Envelopes	$10'' \times 4\frac{3}{8}''$	for F'cap. Fo.
Court ,,	$6\frac{3}{8}'' \times 4\frac{5}{8}''$ or $5\frac{5}{8}'' \times 4\frac{3}{8}''$	for La. Post 4to or La. Post 8vo.
,, ,	$5\frac{1}{4}'' \times 4\frac{1}{4}''$	for Post 4to or Post 8vo.

Instead of the square-shaped court envelopes, commercial envelopes, 6″ × 3¾″, may be used for La. Post 4to or La. Post 8vo, and a smaller commercial envelope, 5⅝″ × 3⅝″, for Post 4to, Post 8vo, or Demy 6to.

There are, of course, many other sizes of commercial stationery and envelopes, but the ones given are those in general use.

A *Foolscap letter* is folded into half, in the direction of its length, and then again into half, in the same direction, the sheet, if correctly folded, thus measuring 3 3/16″ × 8″.

A *Quarto letter* is folded into half in the direction of its length, thus converting it into an 8vo, and then again folded lengthwise into three equal divisions. *E.g.*, La. Post 4to, 10″ × 8″, folded into half will measure 8″ × 5″; this folded into three will measure 2⅔″ × 5″. This is the folding for the commercial envelope. If court envelopes are used the folding would be first into half, 8″ × 5″, then into half again, 5″ × 4″.

An *Octavo letter* is either folded into three as described above and put into a commercial envelope, or into half and put into a court envelope.

A *Demy Sixto* invoice is folded by first turning in about 1⅝″ in the direction of its length, which in this case is less than the breadth. Demy 6to = 6⅝″ long × 7¾″ broad. Turn in 1⅝″ of the length; you then get a sheet 5″ × 7¾″—an octavo size, which is folded into three as already explained. Invoices should be sent by halfpenny post, the flap of the envelope not being gummed down, but turned into the envelope itself. The flaps of the envelopes used for invoices and circulars are not as a rule gummed.

Address Book. It is customary in some offices to keep an address book, in which the names and addresses of all the firm's correspondents are recorded. The book is indexed throughout, and the names are entered under the proper initial letter. All changes in the address or style of a firm should be indicated in the address book immediately they become known. An address book is not necessary where a card index is kept on the alphabetical plan. But much time is saved if, as is usually done, the typist types the full address as well as the name and style of the firm on the letter itself. The envelopes can then be written from the letters.

The Addressograph. In large offices the junior may find installed a machine known as an Addressograph. Each customer's name and address is embossed upon separate metal plates, connected

together into endless chains. These chains are fitted into the machine, and revolve round a drum worked by a treadle. The envelope or wrapper to be printed is placed upon the printing surface of the machine over the opening at which the embossed metal plates appear with each movement of the treadle, and the printing is effected by a hand-worked punch. The addressograph saves much time and labour when large numbers of envelopes or wrappers are to be addressed—*e.g.*, at the time of rendering the monthly or quarterly statements of account, or when the firm's customers are being circularised—but its value is not so apparent in the case of ordinary office correspondence.

Enclosures. Before putting the letters into the envelopes the junior should see whether or not a letter refers to any enclosures, and take care that any such are included with the letter. Enclosures are usually indicated by the typist, who types at the head of the letter the word "Enclosures," or "Enclos.," with a figure representing the number of them. Some firms, however, have the word printed on their letter headings, and then only the number is inserted; others adopt the device of gumming on to the letter a small circular printed label, usually red in colour. It is quite possible that the typist may omit to indicate the fact of enclosures, and then both time and inconvenience will be saved by the intelligent junior who reads the letter and points out the omission to the clerk responsible.

Points to be Noted. (1) Be very careful to put letters in the right envelopes. I call to mind an instance where a clerk, left with little time in which to make up the letters for the American mail, had the misfortune, with results unpleasant both to his principals and himself, to mix up the invoices of two rival firms, so that each received the other's invoices. The goods were identical, but the prices differed! (2) Always post letters in time for the provincial mails. Should the ordinary posting time have passed see that the necessary late-fee postage is affixed and the letters are posted in the late-fee letter-boxes. The necessity for late-fee postage must never arise through the junior's own want of despatch.

Postage. The junior must be acquainted with the Postal Regulations relating to letters, postcards, halfpenny packet and newspaper post, and he should, at this point, read carefully and memorise

the important parts of "Post Office Information" (See Appendix): dealing with: I. Inland Correspondence; II. Registration of Letters; III. Express Delivery Services; IV. Railway Letters; V. Late-fee Letters; VI. Private Boxes and Bags; VII. Redirection of Letters; VIII. Poste Restante; IX. and X. Return of Undelivered Letters and Prepayment of Postage; XI. Postcards; XII. Halfpenny Packet Post; XIII. Newspaper Post; XIV. Foreign and Colonial Correspondence; XV. Registration of Foreign and Colonial Correspondence; XVI. Postcards; XVII. Printed and Commercial Papers; XVIII. Canadian Magazine Post; XIX. Sample Post.

Hand Delivery. If a letter is to be delivered by hand the word "Hand" should be written in the top left-hand corner of the envelope, and if an immediate answer is required the words "Wait answer" should be added. In all cases of hand delivery the junior should, when giving the letter to the messenger, repeat verbally the instructions on the envelope.

Register of Outward Letters, Parcels, &c. When the junior has prepared all the letters, postal packets, &c., for the post he must enter them, with particulars of the postal charges incurred, in the *Post Book*. The ruling of the Post Book varies with different firms, but the following is a form in actual use:

POST BOOK

£	s.	d.	DATE	NAME	ADDRESS	£	s.	d.
			1910					
3	2	6	Jan. 15	Stamps in hand				
			,, ,,	Broadbent, J.	Carlisle			1
				Whiteside and Sons	Sydney, N.S.W.			2
				Armitage and Ibbetson	Leeds			1½
				500 Circulars	Spring Novelties	1		10
				Perry, T.	Liverpool			1
				Boyveau and Chevillet	Paris			2½
				Langenscheidt and Söhne	Vienna			2½
				Ford, J.	Birmingham			7½

The student will see that the first column is used for entering the amount of the postage received from the cashier. He may receive the postage in stamps or money. In large firms where the postage bill is heavy, the stamps, to prevent pilfering, are perforated with the firm's initials as here shown. These stamps are not bought direct from the Post Office, but from firms who undertake the perforating work. In such cases it is the junior's duty to go through his stock of stamps at the end of the week and hand to the cashier a requisition list for the following week's supply. The cashier draws a cheque for the amount requisitioned, and sends it with the order to the firm supplying the perforated stamps. The most convenient way of keeping stamps is in a satchel file, foolscap size, with separate divisions for each denomination of value, or in a guard-book similarly divided. The junior should see that he always keeps a sufficient stock of stamps in hand to meet probable requirements for several days ahead, and he should make it his practice to balance his post-book every night before leaving. Every week at least he should hand his stock of stamps and post book to the cashier to be checked and initialled by him. It may happen that, despite care, stamps may be validly used and yet escape entry in the post book. Should the junior be unable to balance his post book at the end of the day he should at once endeavour to locate the discrepancy, and, if unsuccessful, should boldly enter the fact of the discrepancy in the post book and report it to the cashier. *Never from feelings of shame or fear attempt to make the book right.* The cashier will think all the better of you for reporting your failure, and the reflex effect of your action will go far to prevent future omissions.

Parcel Post Register. In addition to entering the postage expended on packets sent by parcel post in the post book, a receipt must be obtained from the Post Office for all such parcels. Where parcel post packets are few in number the receipts may be obtained on the official forms ; but where many parcel post packets are sent out in the day it is customary to enter them in a special Parcel Post Book. The receiving clerk stamps the book with the P.O. dating stamp, adding in words the number of the packages, and his initials.

PARCEL POST REGISTER

DATE	NAME AND ADDRESS	POSTAGE	SIGNATURE
1910 Jan. 5	Fullalove and Sons, 15 High Street, Stamford	4	Two
	J. Bedford and Co., 12 Union Street, Aberdeen	6	C. F.

P.P.—No. 32.

INLAND PARCEL POST.

CERTIFICATE OF POSTING OF AN UNREGISTERED PARCEL.

A Parcel prepaid *6d.* and addressed as under * has been posted here this day—

I. Bedford and Co.,

12 *Union Street,*

Aberdeen.

Date Stamp.

J. C. B.

(Postmaster's Signature.)

* The address should be entered in full by the sender. The Department will accept no responsibility if, in the event of miscarriage, it should be found impossible, owing to the incompleteness of the address furnished, to trace the parcel.

At this point the student should read and memorise the important parts of "Post Office Information" (See Appendix), dealing with Inland Parcel Post and Foreign and Colonial Parcel Post.

Addressing Parcels. The writing of labels for parcels is similar to the writing of envelopes, except that the labels are usually printed with spaces for the date and the method of despatch. The form shown on the next page will serve for an illustration.

Despatching Telegrams and Cables. The junior is not charged with the writing of telegrams and cablegrams, but he is usually responsible for their despatch. It should be almost unnecessary to add that even though he is not instructed to that effect, all telegrams

BOOKS—WITH GREAT CARE.

Per *Parcel Post* Date *Jan.* 16, 1910

Messrs. Wm. Jupp and Sons,

185 *Market Street,*

Manchester.

From MACDONALD AND EVANS,
4 ADAM STREET, ADELPHI, LONDON, W.C.

and cablegrams should be taken immediately to the post or cable company's office, and not be allowed to remain till the usual posting time comes round.

The Telephone. It is the work of the junior to receive and transmit telephone messages. The use of the telephone can only be properly demonstrated by an actual object-lesson. It is easy enough to understand, and no useful purpose is served by a verbal description. In small offices the junior must deliver the messages for whom they are intended and receive the replies in person, but in large offices, where officials are located on different floors, a system of inter-office telephones is usually installed. This enables the junior to connect the particular person with the caller. In large offices, too, the different departments of the same business house are connected, but this is done by arrangement with the Postmaster-General, quite independently of the Exchange. When answering a call the junior should write down on a printed telephone form, supplied in pads—the separate forms being easily detachable—the date and time of the call, the name of the caller, and the message. The junior

should then hand this filled-up form to the person concerned and receive the reply, which, if verbally given, should be transferred to the form, and then telephoned to the caller. These records of calls, like the outward letters and telegrams, should be preserved for future reference. Frequently, however, the reply to a call is of a lengthy character, and could only be given by the person concerned. In that case, and also in cases where inter-office telephones are in use, the person concerned should keep the record, as the record kept by the junior would not afford any particulars of the reply.

TELEPHONE MESSAGE.

Name and Address.....

Message.....

.....

Reply.....

.....

Date.....

Time..... .....*Operator*

Should the telephone get out of order a *written* representation must be made without delay to the district manager. If, after two or three unsuccessful attempts, the junior should still fail to get connected with a subscriber, he should inform, by telephone, the operator at the Exchange, who will either effect the connection or explain why it cannot be got.

Calling out Numbers. A hint as to the correct way of calling out double or treble numbers may be useful. *E.g.*,

77200 should be rendered *Double seven two double o.*
28885 „ „ „ *Two eight double eight five.*

The student is referred at this point to "Post Office Information" (See Appendix), dealing with Telephones.

Concluding Remarks. The telephone has proved a most powerful aid and stimulus to business. It has great advantages over every other means of communication between business men at a distance from each other, for it cheaply and quickly brings them practically face to face, and enables them to settle intimate and important matters as easily as at an interview. It may be mentioned here, although it is a point which does not immediately concern the junior, that all matters of importance arranged by telephone ought to be subsequently confirmed by the parties in writing. A point that does, however, concern the junior is the necessity for observing the same courtesy when speaking through the telephone as when speaking face to face. I have frequently known juniors return most discourteous replies to telephone inquiries. The telephone is at times an exasperating instrument, and affords good opportunities for self-discipline.

Test Paper III

1. Mention the points to be observed when addressing envelopes, and write specimen envelopes to the following: Any firm of boot and shoe manufacturers; the general manager of any steamship company; the secretary of any hospital; any draper, coal merchant; the headmaster of your school.

2. When may the word "London" be omitted from the envelope? What precaution should be taken when sending letters to a town whose name is common to more than one?

3. When should the courtesy title "Messrs." be omitted? How would you address envelopes to the following: A doctor of medicine, a clerk in holy orders, a bishop, a knight, a baronet, a private gentleman?

4. What do the letters "G.M.B.H." signify? Address envelopes to a French limited company, an Italian ditto, also to a French firm and a Spanish firm. Why, when speaking of a German gentleman, do you refer to him as Herr So-and-so, and when sending a letter to him address the envelope to Herrn So-and-so?

5. Mention the most usual sizes of commercial stationery.

6. What do the following abbreviations stand for: Fo., 4to, 8vo, 6to, F'cap., La., Enclos.?

7. How would you fold a F'cap. letter, and what size of envelope would you use? How would you fold a La. Post 4to letter for enclosure in a commercial envelope? How is Demy 6to folded, and what is this size usually used for? How are invoices correctly sent out? Is the method different from sending out statements of account?

8. What is an address book used for? Describe one, and explain any better method that could be used for the same purpose as an address book.

9. Describe any method by which the work of addressing envelopes or wrappers for large numbers of circulars, statements of account, &c., may be facilitated.

10. How is the fact that a letter is to be accompanied by enclosures indicated, and what steps would you take to be sure that all enclosures were included in a letter?

11. Mention some points that the junior should carefully observe when making up letters.

12. What is meant by "inland correspondence," and what are the classes into which it is divided?

13. What is the rate of postage for inland letters, and what are the limits of size for inland letters?

14. Why must care be taken to stamp sufficiently all letters?

15. Mention the articles that may not be sent by letter post. Would you post a letter containing coin or jewellery in the ordinary way? If not, why not?

16. What is the object of registering letters? What is the fee for registration, and what the procedure when (1) making up, (2) posting a registered letter?

17. What compensation is paid for the loss of a registered letter? Supposing you wished to post a letter containing valuables worth £200, and to guard against loss to the full amount, what registration fee would you pay? What is the limit of compensation? Could you register a packet containing coin to cover a loss of £50?

18. Is any facility provided by the P.O. for advising correspondents of the delivery of registered packets to the addressee?

19. Name the three ways in which delivery of letters by the P.O. may be expedited.

20. What do you understand by a railway letter? Address one to "The Editor, *Sheffield Daily Telegraph*, Sheffield," (*a*) to be called for, (*b*) to be posted on arrival at Sheffield.

21. What is late-fee postage? Till what time of making up the provincial mail can a letter be posted and included in that mail? What extension of time for posting does the late fee afford?

22. What is the charge for a private letter-box and private bag?

23. What are the P.O. regulations governing the redirection of letters?

24. What is the meaning of Poste Restante, and for what purpose is this accommodation provided?

25. Suppose you had, say, 5000 circulars or letters to be sent by post, how could you avoid the labour of stamping them, and what are the rules you would have to observe?

Test Paper IV

1. State the limits of size of an inland postcard, and under what conditions is an undelivered postcard returned to the sender?

2. What is the use of the halfpenny packet post? How can typewritten documents be sent by this post? State what kind of written wording (with examples) is allowed on the documents sent by this post.

3. State the procedure necessary in sending a three-pound parcel by parcel post from Bradford to (*a*) London, (*b*) Jersey, (*c*) New Zealand, (*d*) Paris

(*e*) Hong-Kong, (*f*) U.S.A. Give in each case the cost and also the limits of size.

4. What are the methods of ensuring safe delivery of (*a*) an inland parcel, (*b*) a foreign parcel? Is any compensation granted in the case of loss of (*a*) an unregistered inland parcel, (*b*) an insured foreign parcel? State the limit of compensation in each case.

5. What do you understand by the Canadian magazine post? State the conditions necessary for transmission, and the limits of weight and size.

6. What kind of articles can be sent by sample post, and what is the general limit of weight for (*a*) British possessions, (*b*) foreign countries? Are there any exceptions to these limits?

7. Explain (*a*) an adhesive form, (*b*) a non-adhesive form used in connection with the parcel post.

8. State any special precautions necessary in sending parcels to (*a*) New Zealand, (*b*) Russia, (*c*) Sweden. How would you address a parcel to Paris if you intended it should be called for? Give a reason for your answer.

9. Describe briefly the methods by which the sender could pay the Customs duties on dutiable articles sent from the U.K. to the Colonies by parcel post.

10. What do you mean by preferential treatment? Name the Colonies granting this treatment to goods of British origin. State the conditions necessary.

11. Is there any duty on advertising matter sent from the U.K. to the following places: (*a*) Johannesburg, (*b*) Hobart, (*c*) Melbourne, (*d*) Toronto, (*e*) Calcutta? State the amount (if any) in each case, and point out any exceptions to the general rule.

12. Can you include any letters or invoices in a foreign or colonial parcel? If so, what conditions are necessary in each case? Can coin be sent by foreign parcel post, and if so, to what amount?

13. State the conditions and charges (if any) of redirection of foreign parcels.

14. What is a parcel post register? Rule a specimen page for one, and make six entries therein.

15. What is a postage book? Rule a specimen page for one and enter the following: 1910, July 15, 50 Statements (Inland); 25 Invoices (Inland); Telegram to J. Whitehead, 8d.; Parcel to John Brown & Co., Leicester, 4 lbs.; Letters to the following: Ford & Co., Battersea, 2 ozs.; Duncan & Sons, Timaru, N.Z., 3 ozs.; Beijers & Zoon, Amsterdam, 2 ozs.; Arbuthnot & Co., Shanghai, 4 ozs.; Allenby & Co., New York, 2 ozs.; John Malcolm & Co., Glasgow, 10 ozs.; Wheeler & Co., Allahabad, 2½ ozs.; Kobe Canning Co., Kobe, Japan, 2 ozs.; Eggers & Co., Moscow, 2 ozs.; John Marples, Cape Town, 4 ozs.; Jardine & Co., Freetown, Sierra Leone, 2 ozs.; Hammond & Co., Valparaiso, 2 ozs.; Dunn & Co., Melbourne, 2 ozs.; Coombes Bros., Perth, 2 ozs.; Allcock & Co., Dunedin, 2 ozs.

CHAPTER IV

THE COMPOSITION OF LETTERS AND TELEGRAMS

Letters. Any one acquainted with ordinary business letters will agree that they frequently make very dull reading, and raise serious doubts whether the writers have any but the slenderest acquaintance with grammatical rules and composition. Many of them consist of a number of stereotyped sentences, in clipt commercial style, woven round the subject of correspondence, and though they may be correct after a fashion so far as the stereotyped forms can be made to serve, they are ungrammatical, confused, and unconvincing where the writer can no longer rely on his memory, but must draw upon his own intelligence and powers of expression. Now this is far from satisfactory, if only upon the ground that it is just as easy to write grammatically and to express oneself clearly as to write ungrammatically and confusedly. But when you consider that the written word is often the only instrument by which a particular order is to be secured, a difficult point elucidated, or an angry customer mollified, it behoves every serious student of business to see that in form, in tone, and in appearance his letters leave nothing to be desired.

Now just as a student of literature moulds his style of composition and acquires freedom of expression by carefully reading and analysing the great masters of English prose, so a student of business may form an easy and correct style of business composition by reading and studying a good collection of commercial letters. I do not, of course, mean to suggest that this is all that is required. The student must have a good working knowledge of the ordinary rules of grammar. He must know the meaning of the words he uses, and possess the logical sense by which he is able to marshal his facts in correct order. But a careful and intelligent study of

good models will undoubtedly prove a potent aid to the student in the formation of style, and, at the same time, familiarise him with a variety of commercial documents, and business terms and phrases, applicable to the different classes of undertakings into which the commerce of the country is divided.

For the purpose of demonstrating some of the points which distinguish a good from a bad business letter, I proceed to give three examples—answers to examination questions—to which I append brief notes by way of criticism:

EXAMPLE I

We beg to acknowledge yours of even date, but you do not state the signature of who received the goods, which we require for identification, and cannot give credit without we are sure they were returned and oblige

Yours faithfully,

p. JAMES SAUNDERS AND SONS,
E. B.

Notes. (*a*) Beyond the words "yours of even date," E. B. gives no clue to the subject-matter of the letter. He should clearly state to what particular subject his letter refers.

(*b*) "Signature of who received the goods." These words are too elliptical, and, as they stand, ungrammatical. Who usually receives goods? A receiving clerk. Then why does E. B. not use the words "receiving clerk"?

(*c*) "Which" is a relative pronoun agreeing with an antecedent. The antecedent here is the word "goods," but E. B. evidently intends it to be the word "signature."

(*d*) The words "and cannot . . . returned" should form a fresh sentence, as they have no logical connection with the rest of the letter. Further, the word "without" is used wrongly. Strictly, "without" = not with. E. B. should have used the word "unless."

(*e*) It is remarkable how frequently the tag "and oblige" finds its way into business letters. The use of it should be avoided. Its appearance here is most ludicrous.

(*f*) E. B. should remember that curtness is always objectionable. As he will probably have to write and apologise for the absence of the necessary credit, he should have given his letter a politer tone, and have written somewhat in the style following:

We beg to acknowledge the receipt of your letter of to-day's date claiming credit, £3 2s. 7d., for returns stated to have been made on the 24th June last, but we regret to say that we cannot trace their receipt. If you will be good enough to send us a copy of your returns note, and also quote our receiving clerk's signature for the parcel, we shall, in all probability, be able to trace it, and pass you the required credit. Apologising for troubling you,

We remain,
Yours faithfully,
p. JAMES SAUNDERS & SONS,
E. B.

EXAMPLE II

Re your invoice just to hand. We do not accept any responsibility for the insertion of our advt. in your issues of the 14th and 21st inst. seeing you received our stop order on the 12th inst. and cannot pass same as we hold your receipt for it. A credit note for £3 17s. 6d. will oblige, or we will deduct it from your account, whichever you prefer.

Yours faithfully,
p. BATESON & PORTER,
F. C. H.

Notes. (*a*) The same objection applies to the opening of this letter as to that of Example I. There is no formal and explicit reference to the subject of correspondence.

(*b*) The words "cannot pass same" are both tautological and ungrammatical. F. C. H. has already said that his firm "do not accept any responsibility," and no good purpose is served by labouring the point. To what does the word "same" refer? Obviously to the "stop order," but F. C. H. means it to refer to the invoice. But the whole passage "We do not . . . receipt for it" is confused and ungrammatical, and must be recast. The words "hold your receipt for it" refer to the stop order and should, for that reason, be closely connected with the words "stop order."

(*c*) To what does the pronoun "it" in the last sentence refer? The credit note? But F. C. H. has received no credit note. Pronouns such as "he," "she," "it" require careful handling, or confusion is sure to ensue.

(*d*) A little reflection should serve to show F. C. H. that though he is perfectly right in refusing, on behalf of his employers, to pay for advertisements inserted contrary to instructions, yet his case is so strong that he can afford to temper his letter of repudiation by some expression of regret that his correspondents should not have paid more careful attention to the orders issued to them. The following letter would have served his purpose better:

Your invoice £3 17s. 6d. for advertising in the "Iron Trade's Gazette," issues dated the 14th and 21st inst., is to hand, but we would point out that you received on the 12th inst. our stop order, for which we hold your receipt, signed H. D. We very much regret that you should have inserted our advertisement in the face of this stop order, and that we cannot pass your invoice. Kindly send us a credit note for £3 17s. 6d., or, if you prefer it, we will return the invoice.

Yours faithfully,

p. BATESON & PORTER,
F. C. H.

EXAMPLE III

We are sending you some samples of our goods you could no doubt do a big business in. Other clients in Christchurch are taking them up and our terms are very easy. We shall require references before we open an account, otherwise we must ask cash with order.

Yours faithfully,

ROBERT ANDERSON & SONS,
per F. C.

Notes. (*a*) Have the samples been asked for? Apparently not. Then an apologetic remark or two would not be out of place.

(*b*) Why does F. C. not specify (1) the exact samples he is sending, (2) the delivery agent employed?

(*c*) After the word "goods" the relative pronoun "which" is required, or rather the words "in which," in order to avoid the weak and inelegant use of the preposition "in" at the end of the sentence.

(*d*) "Clients" is the wrong word to use. A tradesman deals, not with clients, but with customers. Further, F. C.'s correspondent is neither client nor customer. F. C. *hopes* to make him a customer.

(*e*) The words "and our terms are very easy" look ridiculous, tacked on as they are to other words with which they have no connection.

(*f*) The last sentence is altogether unnecessary, and detrimental to F. C.'s hopes. His object is to secure a new customer. Why, then, mention anything about references, which an intending customer will probably furnish unasked, or which could be obtained by inquiry through one of the numerous mercantile agencies who make it a business to furnish reliable particulars of the financial status of traders?

(*g*) After such phrases as "Awaiting your esteemed favours," the complimentary close of the letter requires for its completion the insertion of the words "I am" or "We are," "I" or "We remain," "Yours faithfully," &c.

The whole letter is very poor, and, unless the samples are uncommonly good and the prices remarkably low, scarcely likely to extend Messrs. Anderson and Sons' list of customers. The letter wants the persuasive note. It should be remodelled somewhat as follows:

As we have not yet had the pleasure of business relationship with you, we venture to send you, per Messrs. Pitt and Scott, carriage paid, a parcel of our latest samples, as per enclosed marked price list.

We have many customers for these goods in Christchurch, who find a ready sale for them, since the selling price to the public is lower than that for similar goods by other makers, and the goods themselves are built upon better models, and of more durable materials. Further, they are in as great favour with the trader as with the public, for the terms on which we invoice them show to moderate buyers a gross profit of not less than

60 per cent., while to large buyers the gross profit is close upon 75 per cent. We are convinced you could do a large and constant trade in our products, and that once you become acquainted with their selling power you will never be without them. Confidently awaiting a trial order from you,

We are,
Yours faithfully,
ROBERT ANDERSON & SONS.

From the foregoing criticisms the student will see that the commercial letter requires:

1. Correct beginning. It should begin in such a way as to recall immediately to the correspondent:

(*a*) The letter or letters to which it is a reply.
(*b*) The subject-matter to which the letter refers.

Frequently business letters are headed by a reference number. *E.g.*:

In reply please quote F $\frac{B}{1927}$. *Reference:* $\frac{News\ Dept.}{T.\ A.\ L.}$

The quotation of this reference number at the head of the reply enables the person receiving it to turn up the previous correspondence connected with it, but even though the reference number be quoted, the reply should give clear indication of its history for the sender's own benefit.

The beginning of a letter is usually of a somewhat formal character. Here are a few common examples of such formal beginnings:

We beg to acknowledge the receipt of your letter of the 18th inst.,
We have pleasure in acknowledging the receipt of . . .
In reply to your letter of the 17th inst.,
With reference to / *Referring to* / *Replying to* } *your letter of the 17th inst.,*
In response to your inquiry of the 30th ult.

2. Correct Ending. The formal words ending a letter are termed the complimentary close. The most usual form in business letters is

Yours faithfully,

Some business men, however, especially when soliciting orders or submitting samples, prefer the humbler forms:

Yours respectfully, *Yours obediently*,

This complimentary close must be preceded by the words

I am, or *I remain; We are*, or *We remain*,

after participial phrases such as:

Awaiting the favour of your esteemed orders,
Assuring you of our prompt attention to your commands,
Apologising for the error,
Trusting you will be able to accord us a favourable reply,
Regretting that we are unable to accept your offer,
Recommending the draft to your kind protection,
Soliciting a continuance of your favours,

3. Precision of Phraseology. An order conveyed in language such as this:

Please send us another lot of your Lightning Cleanser same as last but send by carrier and not by rail

would involve much turning up of papers on the part of the receiver, and conduce to delay or mistakes for which, should either occur, the writer alone could be held responsible.

State exactly what goods are wanted, when they are wanted, and how they are to be sent. When figures are used confirm them by writing the amounts, weights, or measurements in words also; *e.g.*:

Please send us at once, by Pickford, 112 *lb.* (*one cwt.*) *Lightning Cleanser, terms as usual.*

An order couched in some such words as the following is to be deprecated:

Please send 2 *pcs. Blue Diagonal Serge, as near as possible to pattern enclosed. Price from* 1$5\frac{7}{8}$*d. to* 2*s.* 3*d. per yd.*

The correct course in a case of this kind would be to send the sample, asking for patterns as near the sample as possible, with quotations, and then, selecting the suitable pattern, order as follows:

> *Please send by return per Bean* 2 (*two*) *pcs.* 09177 *Blue Diagonal Serge* @ 1/9 (*one shilling and ninepence*) *per yd.*

When fixing appointments name, if possible, a definite date; *e.g.* not *any day next week*, but *Friday, the* 10*th inst., at* 12.30 *p.m.* Payment of overdue accounts should be requested, not *within a week or two*, or *as early as convenient*, but, *e.g., on or before the* 31*st prox.*

Reference should be made to interviews, offers of service, estimates, inquiries, not in the vague formulæ *Some time ago*, or *About August last*, or *We remember that in the spring of this year*, but by quoting the particular date when the interview took place, or the offer of service, estimate, or inquiry was made. *E.g.*:

> *On the* 14*th August you wrote to us offering*, &c.
> ,, ,, *you estimated to supply us with*, &c.
> ,, ,, *you inquired if*, &c.

In order to refer to events in this precise and businesslike way, the student must cultivate habits of order, and accustom himself to make written memoranda of events, and to file all papers likely to be of service in the future. Such habits distinguish the efficient from the non-efficient business man.

4. Freedom from Ambiguity. The main causes of ambiguity are:

(*a*) Bad arrangement of words and phrases.
(*b*) Misuse of words.
(*c*) Verbosity and tautology.
(*d*) Confusion of thought.
(*e*) Faulty punctuation.

(*a*) *Bad Arrangement of Words and Phrases.* Nothing conduces more to ambiguity of meaning than this. A treatise could, of course, easily be written on the subject, but the mention of a few of the most important rules must here suffice:

(1) Words closely connected in the expression of the thought should be placed as near each other as possible. *E.g.*, auxiliary verbs

should not be separated from the principal verb by long, intervening phrases as in the following example :

> *We have pleasure in informing you that we have been, owing to the large increase of business which has taken place in several important departments, compelled to take additional premises at 52 Wood Street, E.C.*

A better arrangement would be :

> *We have pleasure in informing you that, owing to . . . departments, we have been compelled to take*, &c.

Adverbs and adverbial phrases should be in close proximity to the words they modify, and relatives should also closely follow their true antecedents. *E.g.* :

> *One clerk only came in late yesterday.* "Only" should come before "one," not "came." Again : *I looked up the article "Shipbuilding" in the Encyclopædia Britannica, which was written by him.* This construction seems to imply that the person referred to wrote not only the article "Shipbuilding," but the whole of the Ency. Brit.

(2) The pronouns, *he*, *she*, *it*, *they*, &c., require careful use when different persons are referred to. *E.g.* :

> *Mr. Williams told his ledger clerk that it would not be his fault if he did not succeed.*

This is very ambiguous. "His fault" may mean Mr. Williams' fault or his ledger clerk's fault. The same remark applies to "it he did not succeed."

(3) Avoid placing a noun which can also be used as an adjective just before another noun ; *e.g.*, *In business worries are frequent.* A much better arrangement of such a sentence would be *Worries are frequent in business.*

(*b*) *Misuse of Words.* Often words are thought to be synonymous, whereas they express quite different meanings. *E.g.*, compare such words as *transpire* and *happen*, *allude* and *mention*, *expect* and *suspect*, *aggravate* and *irritate.* The only way to get to understand the correct meanings of words is to note carefully their use by good authors, and whenever an unfamiliar word is met with to look up its exact meaning in a standard dictionary.

Careless writers also find considerable difficulty in selecting the right prepositions to follow certain words. The following is a list of the more common ones :

accede *to*
acceptable *to*
access *to*
accessory *to*
accommodate *to* (a condition)
accommodate *with* (a thing)
accord *with*
acquit *of*
adapted *for* (a purpose)
adapted *to* (a condition)
adequate *to*
adhere *to*
adjacent *to*
adjust *to*
agree *to* (the things proposed)
agree *with* (a person to things proposed)
angry *at* (a thing)
angry *with* (a person)
annex *to*
antecedent *to*
averse *from* (not *to*)
call *at* a house
call *upon* a person
compare *with* (in respect of merit or quality ; *e.g.*, one writer with another writer)
compare *to* (by way of illustration—a ship to a swan)
comply *with*
confer *on* = bestow upon
confer *with* = hold a consultation with
differ *from* (a person in some quality)
differ *with* (a person in opinion)
different *from*
divide *among* many
divide *between* two
equivalent *to*
exception *from* a rule
exception *to* a statement
glad *at* something related
glad *of* something given
innate *in*
inspire *with*
instil *into*
instinct *with*
level *with*
oblivious *of*
part *from* a person
part *with* a thing
remove *from*
replete *with*
repugnant *to*
sated *with*
similar *to*
taste *for* a thing desired
taste *of* a thing possessed

(*c*) *Verbosity*—*i.e.* using many more words than are absolutely necessary. Conciseness is a great excellence in business letters. Say what you have to say as briefly as is consistent with clearness, politeness, and the attainment of the object you have in view. It is a waste of time as well as a source of confusion to write, *e.g.* :

Your claim for an allowance cannot therefore be upheld as there is nothing to support it, and, if there were, you cannot fail to have noticed that all our invoices are clearly printed that we can under no circumstances whatever entertain any claims which are not made within a fortnight after receiving the goods.

How much more effective the letter would be if written somewhat as follows :

We cannot, therefore, admit your claim. There is nothing to support it, and, further, a month has elapsed since you received the goods, whereas our invoice states clearly that claims, to be entertained, must be made within fourteen days.

The student will find good practice in attaining conciseness and clarity of expression by writing imaginary business letters and then cutting out all unnecessary words, and remodelling his sentences so that finally they are not only composed of as few words as possible, but convey one meaning and only one meaning.

(*d*) *Tautology—i.e.* useless repetition of the same idea in different words. Tautology occurs chiefly from a defective knowledge of the exact meaning of words, as in the following sentence :

If you can guarantee us a minimum trade of £200 per month, we are prepared to give you the entire monopoly for the city of Birmingham.

Here the writer fails to grasp the fact that the word "monopoly" involves the meaning of "entire."

Other common examples of tautology are :

"Equanimity of *mind*." *Equanimity* = evenness of mind.
"World-wide recognition *by all*." *World-wide* = by all.
"*Surrounding* circumstances." *Circumstances* = things that surround.
"*Continue to* remain." *Remain* = continue in a place.
"Returned *back*." *Return* = come back.

(*e*) *Confusion of Thought.* Never attempt to write a letter till you have a clear notion of what you wish to say. Consider all the points bearing upon the subject till they take definite form and become logically connected in your mind. Clear writing presupposes clear thinking. It will aid the student to acquire the

power of mental composition if, after having thought out a letter, he will first of all make a draft of it, not correcting as he writes, but leaving the correction till the whole draft is finished. Such practice will gradually strengthen his mental powers, so that in time he will be able to write or dictate a letter straight away that will not require any correction.

(*f*) *Faulty Punctuation.* To explain all the principles of punctuation would require far more space than I can devote to it in a treatise of this kind. I can only direct the student's attention to some important points. The chief object of punctuation is to make the grammatical construction and the sense more easy of comprehension. It is obvious, therefore, that punctuation is subject to rule, and must not be done in a haphazard way. A good method for the beginner to follow is to write out the letter first and to punctuate it afterwards, and, further, to punctuate only in such places as will make the meaning clearer. *E.g.*, the following sentence is ludicrous as it stands :

> *Sir Charles Quartermain says the Central News is suffering from nervous breakdown.*

Commas after "Quartermain" and "News" are absolutely necessary to preserve the passage from being nonsensical.

Again :

> *The question of financing the operation, too, simple as it seems, really requires considerable study.*

The insertion of a comma after "too" alters the meaning of the word from "more than sufficiently" to its other meaning of "also."

The above examples are sufficient to show that correct punctuation requires thought. If the student is ever in doubt whether a stop should or should not be used, either *leave it out* or, better still, recast the sentences. Better too few stops than too many. Again, the student should cultivate the habit of writing, in business letters, short, crisp sentences rather than long, involved ones, that usually require more careful stopping in order to be readily understood. For further information upon this subject I must refer the student to my book entitled "Modern Commercial Correspondence."

5. Persuasive Phrasing. Though the student should remember that the strength of a letter lies in its facts rather than in the language used to describe those facts, yet he must make the most

of the facts and see that he omits nothing likely to influence his correspondent favourably. Suppose he is writing to induce a trader to open an account with his firm. Let him mentally put himself in the trader's place, and ask himself what inducements he personally would want in order to make him invest part of his capital in other people's goods. Having done this, let him mention any or all of the following points that are applicable in the particular case:

(*a*) That the goods are proprietary articles—*i.e.* that their manufacture is confined to one particular firm, and competition between trader and trader is thereby reduced to a minimum.
(*b*) That they yield a good profit to the trader (state the exact profit).
(*c*) That they are in constant demand by the public.
(*d*) That they have been widely bought by other traders in the locality, or that they have not been bought at all, and his prospective customer can therefore enjoy a clear run of sale.
(*e*) That the customer may have the exclusive agency for his district.
(*f*) That the terms of account are easy. State the terms.
(*g*) That returns of shop-soiled stock, or stock of one pattern for that of another pattern, are allowed, or that the goods are sent on sale or return.
(*h*) That the goods are widely advertised in the public press, by posters on hoardings, by distribution of circulars or house-to-house samples, and that all advertisements in his district will bear his name and address.

And so on, omitting nothing calculated to add to the force of his appeal.

6. Courtesy. A discourteous letter is probably more detrimental than is personal discourtesy. The stigma of the latter attaches to the particular person guilty, and *may* be forgotten, but the discourteous letter reflects upon the firm as a firm, and, as the old Latin tag says, the written word remains.

7. Avoidance of worn-out tags and phrases, such as, *e.g.*, "even date," "and oblige," the too frequent use of the word "same," and of scraps of foreign languages: *en règle*, *de rigueur*, *mala fides*, *pro*

tanto, non probandi, dies non, &c. Good English is always preferable, and, in reality, more scholarly.

Signing Letters. As a general rule a principal signs all important letters, and he does so by writing his name immediately after the complimentary close of the letter, or by writing his name or placing his initials beneath the name of the firm, which is either typed, written, or impressed by means of a rubber stamp. *E.g.*:

Armstrong and Williams,
J. Williams.

or

Simpson and Sons,
J. A. S.

But frequently some part of a principal's authority is deputed to a manager (Mgr.) or chief clerk, who signs on behalf of his principal. This deputation of authority may be effected (1) by a formal instrument known as a *Power of Attorney* (P/A), which is a legal document appointing a person to be an *Attorney* or *Agent* (Agt.)—the words are synonymous—for another person, to act either generally or specifically, as the document may direct; or (2) it may arise through custom, the observance of which gains the force of legal sanction. In such cases the manager or head clerk is said to sign *per procurationem*, *per pro.*, or *p.p.* = *by procuration*, as follows:

p.p. Armstrong and Williams,
I. H. Howard, Mgr.

or

per pro. Simpson and Sons,
B. Hill.

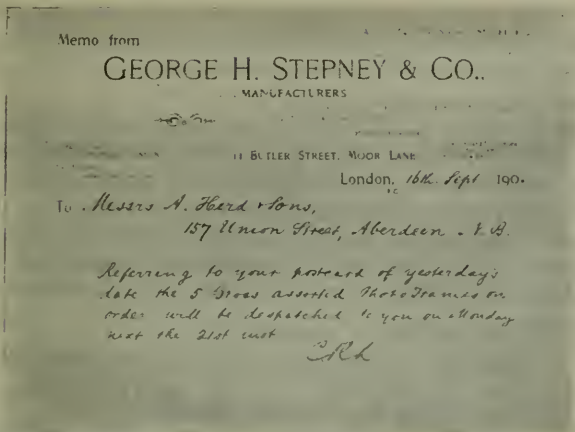
Every clerk is more or less an agent (the meaning of the word is explained on p. 139) for his principal, but unless he has been appointed to sign "per procurationem" he is only entitled to the use of the word "per" or "for," and to sign as follows:

per [or *p.*] *Armstrong and Williams,*
W. B. F.

or

for Simpson and Sons,
B. H.

Memorandum Forms. These printed forms, used for brief, unimportant communications, are not usually signed, though it is customary for the clerk responsible for them to add his initials. An illustration of a common style of memo. form is appended.



Memo from

GEORGE H. STEPNEY & CO.

MANUFACTURERS

11 BUTLER STREET, MOOR LANE

London, 16th Sept 190.

To Messrs A. Heard & Sons,
157 Union Street, Aberdeen N.B.

Referring to your postcard of yesterday's date the 5 Gross assorted Photo Frames on order will be despatched to you on Monday next the 21st inst

A.H.

Postscript (P.S.). This word, derived from the Latin *post scriptum*, means "after the writing," and signifies something added to the letter after it has been signed. A well-written letter never requires a postscript—the writer knows what he wishes to say, and says it above the signature.

Contraction of Dates. When replying to letters it is frequently necessary to refer to communications received, as, *e.g.*, "*Your letter dated the 25th of May is to hand*"; or to arrange dates for interviews, &c., as, *e.g.*, "*Our Mr. Walters will be pleased to go into the matter with you if you will be good enough to call on Wednesday next, at 10.30 a.m.*" Instead, however, of mentioning the month, the following contractions are used: *inst.* for *instant* (= the present month); *ult.* for *ultimo* (= the last month); *prox.* for *proximo* (= the next month). Thus, if you were writing on May 10 your reference to a letter received on April 25 would be to "*yours of the 25th ult.* [or *ultimo*]"; your reference to a letter received on May 8 would be to "*your letter* [or *your favour*] *of the 8th inst.* [or *instant*]"; while if you were arranging for delivery of goods to be made, say, on June 2, you would write: "*Delivery to be made not later than the 2nd prox.* [or *proximo*]."

Telegrams (or Cablegrams). The accurate and economical writing of telegrams is an important part of a clerk's duties. Much money may be wasted by lack of condensation, and much valuable time lost by ambiguity in the wording. In telegram-writing grammatical

form is not of much account, but *clearness is essential.* As every word costs money, the clerk who has to write telegrams should learn to express himself in the fewest possible words, but on no account must *clearness be sacrificed to brevity.*

The only object of a telegram is to save time, so, if it be not worded clearly, and correspondence or other explanatory telegrams have to pass between the parties in order to ascertain the real meaning of the original wire, its sole purpose is lost.

The first thing to do in telegraphing is to pick out the *essential* words and to wire those only. For example, suppose you have to telegraph an order which, if written, would appear as follows:

> *Please book me for immediate delivery:*
> 500 *No.* 58 *Rockingham Quilts at* 15/6 *each.*
> 150 *No.* 62 *Derby* „ *at* 22/9 *each.*
> *Less* 2½ *per cent. discount, delivered free.*

The essential words and figures that need be telegraphed are:

> *Book* 500 58 *Rockingham Quilts* 15/6 150 62 *Derby* 22/9 *less* 2½ *free delivery immediate.*

(It might not be necessary to wire even the word "quilts.")

Take another example:

> *We regret to say that the 2 tons Copper Rods ordered by us on the 6th July for delivery within one week are not yet to hand. If you cannot deliver at once please cancel the order, as we shall be compelled to buy elsewhere. Kindly let us know by return.*

The words necessary for telegraphing would be:

> *Two tons Copper Rods ordered sixth July delivery within week not received if not ready cancel order wire reply.*

Note. It is always better to express figures, where possible, by words, especially in wiring market prices, where the correct transmission of the exact figures is most important; *e.g.*, *Fifty-three* is much less likely to be altered in transmission than the figures 53, which a careless telegraphist at the other end might make to look more like 35 than 53. Of course, when the telegram is a long one and the figures numerous such a course may add considerably to the expense.

Duplicating Telegrams. All telegrams should be duplicated or triplicated before they are sent off. In some offices they are press-copied, while in others a carbon copy or copies are taken. But frequently in large offices a *manifold telegram book* is used, by which three copies are written at once, one copy for the P.O., a duplicate for enclosure in the confirmatory letter sent off the same day as the telegram, and a triplicate which remains in the book for reference purposes.

Confirming Telegrams. As stated above, all telegrams should be confirmed the same day as despatched. This confirmation may be effected by merely sending the duplicate from the manifold book, which bears a printed heading: "*A Telegram as follows was despatched to you at*..... $\frac{\text{A.M.}}{\text{P.M.}}$ *this*.....*day of*.....19...," or by enclosing the duplicate in a letter amplifying the purport of the telegram.

Foreign and Colonial Telegrams (or Cablegrams). A foreign or Colonial telegram may be written in any one of nine languages, viz., English, French, German, Spanish, Italian, Portuguese, Dutch, or Latin. A word is taken to consist of fifteen letters. If composed of more it is counted as two words. In addition to being written in *ordinary language*, a telegram may be written in *code*, each word not exceeding ten letters, or in *cypher*, when no group of figures or letters may exceed five in number. A foreign or Colonial telegram may be written either on the P.O. forms or on the forms provided by the different telegraph companies.

Telegrams in Ordinary Language. Condensation, desirable when sending inland telegrams, becomes imperative when despatching foreign or Colonial telegrams. At the time of writing an inland telegram costs 6*d.* for twelve words, including the address, or $\frac{1}{2}d.$ per word. For the *European System*, which, besides the continent of Europe, includes Algeria, the Canary Islands, Morocco, the Faroë Islands, and the French possessions (Senegal, &c.) on the West Coast of Africa, the rate per word varies from 2*d.* in the case of France to 1*s.* $4\frac{1}{2}d.$ for French West Africa. For telegrams to countries included in the *Extra-European System* the rate per word varies from 6*d.* for Medina, in the province of Hedjaz (Arabia), to 7*s.* 5*d.* for inland places in Hayti, West Indies. Ordinary language cannot be condensed beyond a certain point, otherwise it becomes difficult to comprehend. Hence to meet this need for the maximum of

condensation without detriment to intelligibility *Codes* have been devised, in which a single word does duty for many words, and sometimes for a whole sentence.

Telegraph Codes. A telegraph code consists of many thousands of words, each of not more than ten letters, drawn from any one of the nine languages mentioned above. These words are alphabetically arranged and numbered in rotation—the alphabetical arrangement of the code words coinciding with the alphabetical arrangement of the important word in the sentence or group of words for which the code words stand. Proper names are not allowed in a coded message except in their natural sense. There are several telegraph codes—*e.g.*, the ABC, Ager's, the XYZ, Lieber's, &c.—and I give below a few entries taken from the 5th Edition of the ABC Code :

EXPENSE

17454	Eliezer	It expenses amount to more than—
17455	Eligendi	The business is not worth the expense.
17456	Eligibly	Not worth the extra expense.
17457	Eligius	Providing that expenses do not exceed—
17458	Eligma	All extra expenses to be paid by— (you)
17459	Elihu	Extra expenses of night work to be paid by the person ordering same.
17460	Elijamus	What will be about the extra expense?

So that if, using the ABC Code, 5th Edition, I telegraph

"Chaloir Eligendi,"

the person receiving the coded telegram would, by reference to that code, understand me to say :

"Do not come here unless you have some other engagement the business is not worth the expense."

Cypher Telegrams. It frequently happens that correspondents interchanging telegraphic messages desire to do so in secrecy. Messages in the ABC or any other code are easily decipherable, but by using a cypher it is practically impossible for any one not in possession of the key to read the message. A cypher message is one which contains series or groups of figures, or letters having a secret meaning, or words not to be found in any standard dictionary

of the language. A cypher message must be wholly in figures or wholly in letters. Suppose by way of example I have a correspondent in Auckland N.Z., with whom I desire to interchange secret messages. I arrange with him a word of ten letters, *e.g.* "BANKRUPTCY" or a mere conglomeration of ten letters, *e.g.* APULMENOSI, and to each of these letters I allot a unit figure, thus:

A P U L M E N O S I
1 2 3 4 5 6 7 8 9 0

Suppose now that I desire to telegraph to him the following, "Ship part in bulk and part in bags vessel to arrive not later than the 10th of November" I look up the word "ship" in the A B C code and find "Senadora = ship part in bulk and part in bags." The number of this code word is 38101. Using the cypher I get:

U O A I A
3 8 1 0 1

Then I look up the word "arrive" and find "03117 Adnarent" = "Vessel to arrive not later than ——" Again using the cypher I get:

I U A A N
0 3 1 1 7

Finally, I turn up "November," and find "27359 Neapolis" = "10th day of November," which by the code I change into

P N U M S
2 7 3 5 9

Hence I telegraph—

U O A I A I U A A N P N U M S

and my correspondent reversing the process by which I obtained these groups of letters turns the groups back into the message stated above.

Indication of Codes used. Firms using codes indicate the codes used upon their stationery just as they indicate their telephone number or numbers, or their telegraphic address. A *telegraphic address* (T/A) may be registered at the General Post Office (G.P.O.), at a charge of One Guinea a year, but cable companies will register telegraphic addresses free of cost. The Registration of telegraphic

addresses is a further means of curtailing expense in telegraphing; see pp. 83, 86, &c., for specimens.

Private Codes. Besides the public codes already mentioned firms arrange private codes for use between headquarters and the foreign branch or agent. Thus a firm receiving regular shipments of say, an American or Canadian Monthly Magazine, might arrange a small code on some such lines as follows:

Antelope	= increase order	250 copies
Alligator	,,	500 ,,
Anteater	,,	750 ,,
Armadillo	,,	1000 ,,
&c.		&c.

Altona	= decrease order	250 copies
Arkansas	,,	500 ,,
Appleby	,,	750 ,,
Alton	,,	1000 ,,
&c.		&c.

The student is referred at this point to Post Office Information (See Appendix), relating to Inland Telegrams, and Foreign and Colonial Telegrams.

I append a few specimen business letters taken from my book, "Modern Commercial Correspondence," to which the reader is referred for further examples.

With reference to your advertisement in to-day's *Daily Telegraph* for a junior clerk, I beg to offer myself for the post. My age is 16. I was educated at King's College School, where I passed the Junior Cambridge Local Examination, and also obtained a Certificate in Handwriting and Correspondence, and a second class in Advanced Arithmetic from the Society of Arts.

Since leaving school, nine months ago, I have attended Typewriting and Shorthand classes, and have now attained a speed of thirty-five and ninety words respectively.

I am very anxious to get into a merchant's office in order to fit myself for a commercial career, and should my application be successful, I will do my best to give you satisfaction. The salary I should require would be 10s. a week as a start.

In reply to your advertisement in to-day's *Liverpool Courier*, I beg respectfully to offer my services for the vacant appointment of Junior Clerk.

I am just over fifteen years of age and have left school about nine months, during which time I have been striving to make myself proficient in Short-

hand and Typewriting, and have now attained a speed of ninety and thirty words a minute respectively.

While I was at school I gained first place in Arithmetic, and also received a prize for Elementary Book-keeping, and have, besides, a fair general knowledge.

My late Headmaster, Mr. John Cathcart, of the Higher Grade School, Garston, will, I am sure, speak favourably of me, and I am also permitted to refer you to the Rev. T. W. Symes, M.A., Vicar of Holy Trinity, who has known me all my life.

Soliciting the favour of an interview, and assuring you that if appointed I will do my best to give you satisfaction,

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I beg to say that the business carried on by me for the past thirty years at the above address has been purchased by the old-established firm of Messrs. W. Roberts and Co., who will transfer it, as a new department, to their own well-known premises at 15 Wood Street, E.C., as from the 1st prox.

Messrs. W. Roberts and Co. have taken over the whole of my liabilities, stock, and book debts, so that I must ask you to forward to them all amounts due.

Trusting that you will favour them with the same generous support that you have always accorded to me, and wishing you every success,

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We have pleasure in announcing that, owing to the large increase in the volume of our trade with the North of England, we have decided for the convenience of our customers to open a New Branch in Liverpool and have appointed as Manager our Mr. Alfred Fortescue.

Mr. Fortescue, who has been with us for the last twenty years, has been granted Power of Procuration, and we shall feel obliged if, instead of sending your kind inquiries and orders direct to our London Works, you will, in future, place them with him. He is, of course, quite conversant with all the details of manufacture, and will be able to answer all inquiries.

Thanking you for your valued support in the past, and hoping for its continuance,

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I beg to inform you that I shall have pleasure in calling upon you on Monday next, the 15th inst., when I hope to receive your valued inquiries and orders.

We beg to inform you that our Representative, Mr. Wilfred Macdonnell, will have the pleasure of waiting upon you on Tuesday, the 9th inst., when the favour of your orders will be esteemed.

We shall be obliged if, for the purpose of our Half-Yearly Stock-taking, you will send, not later than the 2nd prox., a statement of account up to and including the 30th June.

We are in receipt of your inquiry for 250 yds. each Black, Tan, Brown, and Drab Moleskins *@ 2s. 6d.*, for which we thank you. We have none of this particular make in stock at the moment, and, owing to great pressure at the mills, we are afraid we cannot guarantee delivery within less than three months of receipt of order. We note, however, that your

patterns are sulphide-dyed. We also use sulphides, but only for the cheaper makes of moleskins. All our moleskins above 1*s.* 8*d.* are aniline-dyed, which gives a much faster colour, and in other respects a more satisfactory result. If you can see your way to take our aniline-dyed we can deliver from stock on receipt of order. The extra cost is not more than ¼*d.* per yd. Trusting to be favoured with your commands,

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Our Autumn Season Samples have just been completed, and we shall esteem it a favour if you will kindly call upon us to inspect same.

They include goods in Leather, Leatherette, Oak, Fancy Mouldings, Aluminium, and various other materials such as cloth, felt, silk, &c.

Hoping for your kind appointment,

We are on the look-out for the following, and should be obliged if you would send samples after to-day's Indian sale :

(1) A thick liquoring Dooars @ 6*d.* to 6¼*d.*

(2) A fine flavoury Ceylon Broken Pekoe—tippy leaf, but not too small—@ 1*s.* 0½*d.* limit.

(3) A pungent thick Assam Souchong from 8½*d.* to 9*d.*, to follow a Hapjan. Must be good liquor and must mill well.

We shall also be tasting Coffee on Friday next, and are open for a Vera Paz or Costa Rica, limit 100*s.* Bold handsome berry, if possible, but good cup essential.

Please quote us your very lowest price for 10 tons Strawboards, assorted substances from 1½ lbs. to 4½ lbs., and 5 tons in substances, 6 oz. to 20 oz., and say how soon you can deliver.

We should also be glad to have a sample sent of your various box-making papers, with lowest prices.

We shall shortly be wanting 2 tons of Ochre-lined Strawboards and shall be obliged by sample and price for this line also.

We are in receipt of your p.c. of the 3rd inst., and beg to inform you that we have sent you a sample of Spelter Ashes and also a sample of Aluminium Waste, and we should be glad if you would quote us your best prices for these. We have about 1 ton of Spelter Ashes for sale, and, as near as we can tell, we shall have 8 to 10 cwt. of Aluminium Waste.

We have received and tested the sample of Zinc Ashes referred to in your letter of the 6th inst. and for the 20 tons we can offer you £6 4*s.* 0*d.* per ton, dry weight, delivered free at our works, subject to the bulk being equal to the sample submitted. Early delivery, and net cash payment after receipt of the material at our works, and verification of weight and quality.

For your wire acceptance to-morrow.

With reference to your quotation of the 19th inst. and your postcard of the 24th inst., inquiring about same, I thank you for the trouble you have taken in the matter but regret that I am unable to pass you the business or make a counter offer—the prices you have quoted being very much higher than I have been able to buy at elsewhere.

We beg to confirm having this day sold to you—
Quantity : 5000 (Five thousand) Prime New Zealand Lambs.
Brand : SX.
Price : 5¼*d.* per lb. ; c.i.f. Colonial Weights.
Shipment : First week June next.
Payment : Cash against documents on arrival of vessel in London.
Any dispute arising out of this Contract to be settled by Arbitration in London in the usual way.

Referring to the correspondence we had with you about the end of January last regarding Pig Lead from Spain to Manchester, we shall be glad to know whether there is any prospect of your bringing forward some parcels in the near future. We shall have our steamer *Prince Albert* calling at Cartagena during the first week in April, and she is loading a parcel of Pig Lead for Manchester. Can you see your way to offer us a shipment also at 8*s.* 6*d.* a ton ?

We thank you for yours of yesterday handing us Mate's Receipt for 50 cases Hardware shipped to Wellington, per s.s. *Waipara*, on account of Messrs. Ivy, Waterhouse, and Co., Wellington, New Zealand.

We beg to acknowledge receipt of your favour of the 7th inst., *re* difference in quality of No. 220. 30 bags Spices, shipped on the 31st ult.

We regret to note that you claim that the quality is inferior to original sample sent, and request that we credit you with ½*d.* per lb. This we are unable to do, as we forwarded you a purchase sample prior to shipment, and, not hearing from you to the contrary, presumed same to be in order.

However, we wish to meet you in the matter, and if, therefore, you will send us, by return, a fair sample of the bulk, we will examine the same carefully and see what can be done.

With regard to the loss in weight, this could only have occurred in transit, we having invoiced on the London Shipping Weights, of which we enclose a copy. We would suggest that you make your claim on the forwarding agent, as in a case of this kind we really cannot accept any liability.

I duly received the 15 bags Granulated you sent me, but regret to find on examination that 5 of them are in a very damaged condition, having apparently been injured by sea-water. I shall therefore be glad if you will look into the matter, and let me know what you propose to do.

In reply to yours of the 9th inst., we beg to say that we are taking the matter up with the Wharf, and will forward their report as soon as it comes to hand. We must, however, add that we do not accept any responsibility with regard to foreign Granulated.

We regret to find on opening up the 10 cases of glass delivered here yesterday by Messrs. Brash and Rotheram that 10 per cent. of the sheets are broken, 50 per cent. show bubbles, and nearly all are badly scratched.

Will you please instruct your London Agents to inspect and report to you upon this delivery, because we shall have to claim upon you for 33⅓ per cent. of the amt. of your invoice—the balance representing our estimate of the value of the glass as it stands.

As we are under contract to deliver assorted sizes of this quality immediately, and are waiting your decision before cutting up, we look for your immediate attention to this matter.

In reply to yours requesting Credit Note for £2 10*s.* 7*d.* for 37⅝ yds. of quality C Pale Blue Crepoline Dress Material @ 16½*d.* alleged missing from the parcel of goods sent by us on 15th May, we beg to say that, upon receipt of your debit note we wrote you on 30th May, that the piece of Crepoline in question was duly sent by us along with the other goods charged on the same invoice.

We are certain that there has been no mistake at our end, as it was the only piece of Crepoline sent out by our Foreign Dress Dept. on this date.

We feel sure that if you make further inquiries of those assistants through whose hands this Crepoline would be likely to pass, you will be able to trace its receipt.

We shall be glad to hear further from you.

In reply to your inquiry of yesterday's date as to our rate for a £20,000 Floating Policy A.A.R., on general merchandise in wood only per Cunard and White Star Strs. from Liverpool or Southampton, to Boston or New York, we can quote you 2*s.* 3*d.* per cent. This is an exceptionally low rate, and we trust you can pass us the business. On shipments in wood and zinc, per Talbot Line sailers, from Liverpool to St. John's, N. F., the extra premium would be 5*s.* 9*d.* per cent.

In reply to your letter of 12th inst., we shall be willing to accept the insurance of all your shipments of Champagne by regular liners to Australia on all risks, conditions with label clause, and including breakage and pilferage, from the United Kingdom to a direct Australian port, at an all-round rate of 12*s.* 3*d.* per cent., less 5 per cent. discount, and 10 per cent. brokerage, on the understanding that a good proportion of the shipments are by mail steamers.

We understand that the policies would be issued and the premiums payable here, claims to be made payable here or in the Colonies as desired.

We shall be glad to hear from you in due course,

I have to advise you that by a Resolution of the above Company I was, on 24th June, appointed Voluntary Liquidator, but on proceeding to take possession, was informed that a Receiver and Manager had been appointed on behalf of the Debenture Holders, and that he would hold possession until their claims were satisfied.

I shall be obliged by your attending a Meeting which will be held here to-morrow, the 6th inst., at 11.45 A.M., to consider what steps shall be taken to enable me to obtain early possession, with a view to an investigation of the whole of the transactions of the Company since its commencement.

Please bring with you a detailed statement of your account.

Permit me to remind you that my account rendered to 1st June last, amounting to £37 10*s.* 8*d.*, is still outstanding, and to request an early settlement.

I beg to remind you that I have received no reply to my letter of the 13th inst., asking for settlement of account, £37 10*s.* 8*d.*, due 1st July last. Please be good enough to let me have your cheque by return.

We are still without settlement of our account rendered, £18 10*s.* 6*d.*, notwithstanding our letters of the 15th and 31st ult., and must for the third time request you to give your immediate attention to this matter. Further, the remittance must be made in full, as the settlement discount is contingent on payment within ten days from date of rendering.

Your letter of the 3rd inst., with cheque £10 on account, is to hand. We note what you say as to the difficulty you experience in collecting your outstanding accounts; but we are compelled to remark that we do not think you are treating us with the consideration we have a right to expect. It is true that small remittances have been forwarded from time to time, but the debit balance against you has been steadily accumulating during the past twelve months, until it now stands at the considerable total of £55 4*s.* 7*d.* Having regard to the many years during which you have been a customer of this house, and the, generally speaking, satisfactory character of your account, we are reluctant to resort to harsh measures. We must, however, insist that the existing balance shall be cleared off by regular instalments of, say £15 per month, the first instalment to reach us not later than 15th prox., and that, in the meantime, you shall pay cash for all further goods, we allowing you an extra 2½ per cent. discount in lieu of credit.

We shall be glad to hear by return that you agree to this arrangement, as otherwise we shall have no alternative but definitely to close your account, and place the matter in other hands.

We were surprised to receive information from our bankers this morning that your acceptance for £101 14*s.* 3*d.*, due 3rd inst., has been dishonoured. We must ask you immediately to send us your cheque to take up this bill, and also to remit us 6*s.* 8*d.* protest charges. If funds are not in our hands by first post Monday morning we shall, without further notice, place the matter in the hands of our solicitors.

We regret to inform you that, owing to the serious depression of trade now prevailing, we shall be unable to meet our acceptance for £176 10*s.* 7*d.*, which matures for payment on the 18th inst. Enclosed we beg to hand you cheque for £76 10*s.* 7*d.*, and shall be obliged if you will renew the balance at one month under interest. May we express the hope that the prompt manner in which all our engagements have hitherto been met will tend to assure you that only a temporary inconvenience prompts this request, and to add that everything points to a strong trade revival in the immediate future?

Thanking you in anticipation,

The first half of our financial year ends to-morrow, and I shall be glad if you will have our Pass Book made up by Monday morning and the Balance brought down, first debiting us with all cheques presented and cashed to-morrow.

I shall also be glad if you will furnish us with a certificate of the balance brought down for our Auditor's inspection.

Test Paper V

(1) Correct the errors in the letters Exs. I. II. and III. given on pp. 48–50 and without reference to the corrected versions redraft them in your *own* words.

(2) How ought you to begin a letter when replying to a correspondent? Give a few samples of formal openings.

(3) Name the seven characteristics of a good letter given in this book. What are the most frequent causes of ambiguity?

(4) You conclude the text of a letter with the words "Trusting that you will find everything to your satisfaction." How would you finish the letter?

(5) A coal merchant has quoted you *26s.* per ton for coal which you can buy elsewhere at *23s. 6d.* Write a letter in answer to his reminder that he has received no order from you.

(6) Distinguish between the words *Transpire* and *Happen*; *Allude* and *Mention*; *Expect* and *Suspect*; *Aggravate* and *Irritate*, and show their meaning by examples.

(7) Correct the following where necessary:

I was sorry to lose him as he was peculiarly adapted to accountancy work.

While I differed with his opinions I agreed with his proposals.

I was as angry with the occurrence as if I had personally suffered from it.

The sum was inadequate for my purpose.

Divided between a dozen or more it means *3s. 9d.* apiece.

The work of one Counting House is similar with the work of all Counting Houses.

I was averse to raising his salary or even accommodating him to a change of posts.

(8) What is a P/A? How does a clerk sign letters in the ordinary way and how would he sign if he possessed Power of Procuration?

(9) What are memo. forms used for, and are they usually signed?

(10) Give the meanings of ult., inst., prox. and show their use by examples.

(11) What is a Postscript? If you knew any one who was addicted to the use of P.S. what would you infer?

(12) What are the chief points to be observed when writing telegrams? Reduce the following to suitable Inland telegraphic form, and say how much the message would cost:

Unless Brown's order reaches us not later than Wednesday next the 25th inst., we cannot guarantee delivery until after Christmas. The orders in hand are already sufficiently extensive to keep us fully employed till the 2nd week in January. Please inform all customers and take no orders for delivery prior to 18th January.

(13) How are telegrams duplicated? What is a triplicate telegram book and what purpose does it serve?

(14) What is meant by confirming a telegram and when is it done?

(15) In what languages may foreign and colonial telegrams be written? What is a Coded Telegram? And a Cipher Telegram?

(16) Name three Telegraph Codes. What purpose does a Code serve? Illustrate your answer.

(17) What is a Private Code?

(18) How much would it cost to send a message of ten words to Sydney, New South Wales, to Valparaiso, to Bombay and to Moscow ?

(19) What purpose is served by registering a T/A. How much does it cost: (*a*) through the G.P.O. ; (*b*) through a Cable Company ?

(20) What are the advantages of the Telephone to business men ? In what particular does this means of communication at a distance excel all others ?

(21) What is a trunk line ? How much would it cost to speak to a customer in Paris ?

(22) What do the abbreviations p.p. and p. stand for ?

(23) A customer should have paid his account, £10 7*s*. 6*d*., on February 15. It is now the 28th and though you wrote on the 20th asking for the cheque no notice has been taken of your letter. Draft a further letter to him in the light of these facts.

(24) Condense the following into telegrams not to exceed twelve words each: (1) "I was not able to keep the appointment to-day, but will meet you to-morrow, same time and place, and will bring samples with me." (2) "The goods which you ordered are not now in stock, but we hope to be able to supply them in a day or two."

(*N. Union of Teachers Elem.* 1908.)

(25) Print in block letters about a quarter of an inch long the word "consignments." (*Midland Counties Union Elem.* 1907.)

(26) Draft a telegram from Scott and Co., Leek, informing Brown and Sons, of Coventry, that, owing to a somewhat serious breakdown in the mill, only half the order has been forwarded ; that the remainder of the order cannot be delivered before April 20 ; also expressing regret at delay.

(*Midland Counties Union*, 1905.)

(27) Write a letter to the Secretary of the Midland Hardware Company, Ltd., Church Street, Stafford, applying for the position of Junior Clerk.

(*Midland Counties Union Elem.* 1907.)

(28) Mr. Bailey Browne of Barnsley has written to you to say that he is commencing business as a newsagent and stationer and asking your advice as to the best method of preserving his incoming correspondence. Write a suitable reply. (*West Riding C.C. Elem.* 1907.)

(29) Make a fair copy of the following and set it out as you would in a letter. To Wright and Co Liverpool Dear Sir in reply to your letter of the 2nd inst the goods ordered by you on the 26th ult were despatched as instructed on the 27th by L and Y Goods Train and should have reached you not later than the 29th on enquiry we are informed that a serious breakdown occurred at Clitheroe on the 28th and that the work of clearing the line is still proceeding we understand however that traffic is resumed so that by the time this letter reaches you the goods will probably be in your hands Yours truly J. Broadbent and Sons per C. Finch.

CHAPTER V

INVOICING; THE CARE OF INWARD AND OUTWARD INVOICES

An invoice (the commonest document used in business) is a written statement sent by a seller of goods to the buyer setting forth the quantity (weight, measurement, or volume), price, and nature of the goods. The following is a Paper-maker's invoice:

TELEPHONE NOS.
BANK 274 (3 LINES)
CENTRAL 1826
TELEGRAMS
CODES: Western Union, A B C, 5th edition

No. 8706
112 UPPER THAMES ST.,
LONDON, E.C.
1 *Feb.* 1910

Messrs. Macdonald & Evans, London

Bot. of DUNCAN McGOWAN & CO.

Wholesale and Export Stationers and Paper Makers

TERMS
5 % 1 *Mo.*

MILLS: AUCHMILL, ABERDEENSHIRE

MARKS	BALES	REAMS			£	s.	d.
		2½	*Dbl. Crown Bare M.F.* 40 *lbs.*, 516*s*	8/4	1	0	10
		16	*Ant. Ld. D/E quad Fcap.* A.M. 64	16/-	12	16	0
		19	*Crmy. Ptg. Quad Crown* 100 *lbs.*	20/10	19	15	10
		37½	*J.A. Qd. Demy* 36 × 46 144 *lbs.*, 516*s* . . .	27/-	50	12	6
					84	5	2
			To the Plantin Press, Wolverhampton				
			19 *Pairs Boards* . . .	4 - *net*	£3	16	0

The circumstances under which the above has arisen may be stated as follows: Duncan McGowan & Co's representative called upon Macdonald & Evans—my publishers—and, having submitted samples of particular papers, received an order for the goods mentioned in the invoice to be sent to the printers—the Plantin Press, Wolverhampton. Duncan McGowan & Co. duly forward the goods ordered, and thereupon send to Macdonald & Evans an invoice showing the quantity, description, and price for each class of paper and stating, in addition, the terms on which the goods were bought, viz., "monthly account, less 5 per cent. discount." As soon as they received this invoice Macdonald & Evans checked off the particulars with the carbon copy of the order in their order book, and found both to be in agreement. There was still a possibility that the goods supplied might not correspond with the quantities and description on the invoice, and to satisfy themselves on the point the Plantin Press were instructed to send a sheet of each kind of paper, and a note of the quantity of each received. Had the goods been received at Macdonald & Evans' offices this would not have been necessary as the goods would have been checked by their own warehouseman. The quantities and description of the papers having been found correct, the extensions and casting of the invoice were checked, and the invoice was entered in the Bought Journal and then filed for future reference, if necessary. Had any discrepancy been discovered between the invoice and the goods the fact would have been immediately brought to the notice of Duncan McGowan & Co. If the goods sent had been in excess of those charged for, they would be expected to remove the surplus at their own charges; if in deficiency, to make it good. Should the paper have been found not to answer the description of that invoiced, Messrs. McGowan & Co. would be called upon to substitute the correct for the incorrect description, again at their own charges, while in extreme cases it would be open to Macdonald & Evans to refuse acceptance of the paper and even to sue for breach of contract and damages. If the prices, or extensions, or casting of the invoice had been incorrect it would have been returned to Messrs. McGowan, who would be asked to send a corrected invoice, or, if the invoice had been undercharged, to send a debit note for the difference, or a credit note should it have been overcharged.

In addition to stating (1) *the quantity*, (2) *price*, and (3) *description* of the goods sold, and as in the case above (4) *the terms* also, an

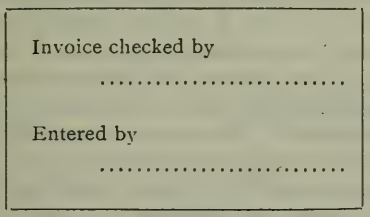
invoice frequently indicates (5) *the method of forwarding the goods*, (6) *the cost of carriage*, and (7) *the cost of packing*. But, in the case of goods bought and sold in this country, the packing and forwarding charges are usually borne by the sender, and though a charge may be made for cases, crates, barrels, bottles, etc., these charges are afterwards credited to the buyer if the cases, crates, etc., are returned to the sellers in good condition. In the home trade, then, the invoice generally discloses not a *Loco price—i.e.* a price for the goods as they stand in the seller's warehouse—but a price which includes the cost of packing and delivery to the warehouse of the purchaser.

Duplicating Invoices. The method of dealing with outward goods, *i.e.* goods sold, varies with different firms. (1) In some firms all orders are entered as received in a Sales Journal, and the invoices are afterwards typed or written out from the Journal—the entries in the Journal being posted to the debit of the personal accounts in the Goods Sold or Debtors' Ledger. (2) In others, the invoices are typed or written out from the orders, and then press-copied in an Invoice Book—the invoice book being used as a Sales Journal. (3) Some firms, again, use carbon manifold Invoice Books—the separate Invoice Books containing the carbon copies being used as Sales Journals. (4) Others again type all invoices in duplicate, numbering them in rotation, send the original to the customer, and file the duplicates in numerical order between stout covers—the filed copies forming a kind of Loose Leaf Sales Book. All invoices should be sent out the same day as the goods are despatched, and checked before they are sent out. In small firms the checking is done by the person who makes out the invoices, but in large firms the checking should preferably be done by another clerk. In many trades the invoice is enclosed in the parcel containing the goods, but in others, those *e.g.* dealing in bulky goods packed in bales, crates, cases, or sent loose, protected by straw or other soft material, in open trucks, the invoice is sent separately. In addition to the invoice, a note called an *Advice Note* or *Despatch Note* is commonly sent to buyers advising despatch of the goods bought and giving the conveyance.

Care of Inward Invoices. Inward invoices for goods bought should immediately be checked against the goods, and the prices, extensions, and castings verified as before described. If the invoices are found to be correct, or if originally incorrect and they have been subse-

quently corrected, (1) they may, as is the practice in some firms, be entered into a Bought Journal—the different items in the Bought Journal being subsequently posted to the credit of the personal accounts in the Bought or Creditors' Ledger, and the invoices themselves either docketed or filed in a filing cabinet. (2) Another way of treating them would be to number them in rotation as received and file them in numerical order between stout boards, thus forming a Loose Leaf Bought Journal—the different invoices composing it being posted to the Bought Ledger. (3) They might be folded and pasted into a *Guard Book*, which is a book composed of leaves of cartridge paper, numbered in rotation and ruled on the right hand side with columns, one for the page of the ledger to which the invoice is posted, and one for £ *s. d.* for recording the amount of the invoice. (4) They may be provisionally filed alphabetically and in order of date in a filing cabinet and periodically (say once a month) removed from the cabinet—the invoices of each separate firm being tabbed together with a statement at the top showing the dates, amounts and total of the invoices in each tabbed bundle. The totals only of the monthly packets are entered in the Bought Journal and subsequently posted to the credit of the personal accounts in the Bought Ledger. The tabbed bundles are afterwards filed in a filing cabinet.

Checking Invoices. In many firms the inward invoices, on receipt, are stamped with a rubber stamp somewhat as follows :



The checking clerk initials the first line, and the clerk who enters the invoice the second, the latter taking care that no invoice is entered and filed unless the first line has been duly initialled.

Pro Forma Invoices. (1) It sometimes happens that a trader gives up possession of goods to another before they have actually been sold, *e.g.* a merchant may consign goods to an agent who is to sell them on the merchant's behalf and account to him for the

proceeds when the goods have been sold. In such cases the merchant sends a specialised form of invoice, termed a Pro Forma Invoice, to the person to whom he consigns the goods. This form of invoice states the actual quantities and description of the goods consigned, but the priced particulars are merely formal particulars designed to give the consignee (*i.e.* the person to whom the goods are consigned) an indication of the price that would be satisfactory to the merchant who entrusts him with the sale of the goods, or the minimum price at which the agent may sell them. The actual prices realised on sale may be more or less than the pro forma prices and are only known to the owner of the goods when his agent sends him the *Account Sales* (see p. 151, &c.) which gives the actual prices obtained for the goods. If the goods are sent on consignment to an agent abroad the amount of the pro forma invoice is the amount declared to the Customs authorities as the value of the shipment. (2) A merchant who contemplated handling a line of goods with which he was unfamiliar, or who had been asked to estimate for goods, might make out an order, send it to a manufacturer, and ask him to submit a pro forma invoice. In this case the pro forma invoice would give accurate priced particulars and show the discounts and any other deductions or charges involved in filling the order. The receiver of such a pro forma would thus be enabled to see whether he could profitably handle the goods and the probable extent of his profit. This sort of pro forma differs in no way from an ordinary invoice except that it is marked "Pro Forma," but it is not, of course, entered to the debit of the person to whom it is sent as would be the case if an actual sale had taken place. (3) A firm receiving an order from another firm with whom they had not previously done business, or receiving an order too small to be entered in the books of account, would address a polite note to the firm sending the order stating the facts and enclose with it an invoice marked "pro forma," meaning thereby that the goods as invoiced would be forwarded on receipt of the amount. In this case also no debit would be made in the books of the firm sending the pro forma. In both (2) and (3) a duplicate of the pro-forma would be kept for reference purposes by the firm sending it, to ensure that, if a definite order for the goods were subsequently received and the customer omitted to return the pro forma, the invoice would be an exact copy of the pro forma.

Debit Note. In cases where an invoice has been sent out and it is

afterwards discovered that the invoice is incorrectly extended, or cast, or goods have been forwarded and short-invoiced, so that too little has been charged, the matter is put right by sending the customer a debit note for the difference. If the journal entry has not been posted, the incorrect invoice entry may be cancelled, a corrected one made, and a corrected invoice sent to the customer with a letter explaining why it has been sent. A specimen debit note is appended :

DEBIT NOTE

14–16 CHARTERHOUSE SQUARE,
LONDON, E.C., *15th May*, 1910

Messrs. S. W. Forsyth & Co., Birkenhead

Dr. to JOHNS, SON & WATTS

		£	s.	d.
To 12 tins mixed biscuits charged on Invoice 1/5/10 at 1/– should be 1/6. Difference . .			6	

Credit Note. A credit note is the converse of a debit note, and is sent by sellers of goods to rectify an overcharge in the original invoice, or when goods, cases, crates, etc., charged on the invoice, have been returned by the buyers to the sellers. Credit notes are

CREDIT NOTE

TELEPHONE NOS. No. T 771
BANK 274 (3 LINES) 112 UPPER THAMES ST.,
CENTRAL 1826 LONDON, E.C.
TELEGRAMS *3 Mar.* 1910
CODES : Western Union, A B C, 5th edition

Cr. by DUNCAN McGOWAN & CO.
Wholesale and Export Stationers and Paper-Makers
MILLS : AUCHMILL, ABERDEENSHIRE

TERMS—*net*

		£	s.	d.
By 10 Pairs Boards returned direct . .	4 –	3	16	0

printed in red ink, and are posted to the credit of the personal accounts in the Sold or Debtors' Ledger, and appear at the foot of the statement of account, from the amount of which they are deducted (see p. 115). On p. 79 is a copy of the credit note sent by Alexander McGowan & Co. to Macdonald and Evans in respect of the 19 Pairs of Boards used for forwarding the 19 reams of Creamy Printing, Quad Crown, 100 lbs., and returned by the printers to the paper-makers (see p. 74).

Selling Weights. Only the actual weight of the goods sold is charged for on an invoice. If the student will look through the specimen invoices in this section, see for *e.g.* the invoice of Masters & Stewart (p. 87), he will see that 9 chests of tea have been invoiced, the actual weight of which, as packed, is 9 cwt. 3 qrs. 14 lbs.: the chests themselves, *i.e.* the chests without the tea, weighed respectively lbs. 19, 18, 18, 18, 16, 15, 17, 16, 15 = 1 cwt. 1 qr. 12 lbs. These separate weights are known as the *tare* of the chests. In addition to the tare it is the custom in the tea trade to allow 1 lb. per chest for draft = 9 lbs. Thus 1 cwt. 1 qr. 21 lbs. have been deducted from the *gross* weight of the chests of tea, *i.e.* the weight of the tea plus the weight of the empty chests and packing material used, and only 8 cwt. 1 qr. 21 lbs., *i.e.* the *net*, or actual, weight of the tea is charged for.

Tare is the weight of the case, bag, wrapper, etc., containing the goods. Every mark of goods (each consignment of goods from abroad bears a distinctive mark) is tared by the Customs authorities according to the custom of each particular trade. Generally speaking, in a consignment of 100 packages three would be opened and the cases weighed. If the consignment extended to 300 packages, 5 more, selected at random from Nos. 101 to 300, would be opened and weighed. Thus in 100 bales of wool the taring might be as follows:

	lbs.	ozs.
Bale No. 1	10	7
,, 8	10	12
,, 30	10	14
Total	32	1 ÷ 3 = 11 lbs. tare,

and the tare allowed per bale on the 100 bales would be 11 lbs. If the average goes over 8 ozs. a lb. is allowed. This is called

average tare, and is a close approximation to the real tare. In the case of tea however, the chests are opened and the contents spread upon the floors of the bonded tea warehouses, bulked and repacked. The tare allowed, then, when buying a chest of tea, is the actual weight of the chest, *i.e.* the *actual tare*.*

Draft is an allowance over and above the tare, made by the seller to the purchaser of goods, to compensate for leakages in handling and possible inaccuracies in taring, etc. The amount of draft allowed varies with different trades, *e.g.* in the wool trade 1 lb. per bale is allowed to cover loss attributable to atmospheric conditions. In the tea trade 1 lb. is allowed for every chest or half-chest. In the case of coffee 2 lb. per bag is allowed; raisins, 1 lb. for every 20 quarter-boxes; currants, 1 lb. for every 10 quarter-cases.

Discount. Goods are bought at List Prices, *i.e.* at prices advertised by the sellers in the goods lists which they send out to their customers and others. These list prices are, in the case of many trades, merely nominal prices, but in others they approximate very closely to the actual prices which the buyers must pay to the sellers.

It is however customary in all trades to make a greater or less reduction from the list prices. This deduction is termed a Trade Discount.

Trade Discount. In the case of wholesale firms dealing in produce, *e.g.* dried fruits, trade discount is not allowed, or only a very small discount, *e.g.* one per cent. on coffee, but in manufacturing concerns the trade discount varies from $1\frac{1}{4}$ per cent. to 75 per cent., or even more, according to the custom of the particular trade. The reason for this system of trade discounts lies in the fact that in most manufacturing trades the prices of the raw material from which the goods are made are subject to fluctuations; or, if the price of the

* The student will find mentioned in other books expressions such as *Estimated Tare, Customary Tare, Super Tare, Tret, Waste.* It may be said of estimated tare that when goods are entered and warehoused "for exportation only," it is possible when giving bond for their due exportation to arrange with the officer of Customs that instead of taring the goods as they would be tared for home consumption, the tare should be "estimated" or agreed upon. Further a merchant when buying goods might be willing to pay upon an "estimated" tare—the excess or defect of the estimate being rectified when the actual tare was known. But the other expressions are not used in modern business. The author can only account for their appearance in books professing to deal with Business Training upon the ground that many of these books show little or no trace of independent inquiry on the part of the compilers.

raw material is stable, the prices of the manufactured articles themselves are subject to fluctuations caused either by the excess of the demand over the supply, or the excess of the supply over the demand. It is obvious that to alter the prices of a large number of articles to meet every fluctuation would involve the continual issuing of new trade catalogues. To obviate this labour and expense a manufacturer simply attaches a notice to his catalogue drawing his customer's attention either to the rise or fall in prices, and announcing an increase or a decrease from the list prices of $2\frac{1}{2}$ per cent. 5 per cent., 10 per cent., etc., as the case may be. In this way the fluctuations in price are easily adjusted. The student may remember to have seen printed upon price lists a notice to the effect: *These prices are the prices in force at the time of going to press, and are subject to alteration without notice according to the fluctuations of the market.* See, also, Jones, Pearson & Co.'s invoice, p. 96 where 10 per cent. is added to cover the cost of the rise in raw material. Trade discounts are always deducted from the invoices so that the amounts posted to a particular customer's debit in the Sold Ledger are not the *List* or *gross selling* prices, but the *net selling* prices.

Cash Discount. When one trader buys goods from another terms of payment are arranged between them.

The following are some of the arrangements made:—*Cash with Order* (*C.W.O.*); *Cash on Delivery* (*C.O.D.*); *Spot Cash; Net Cash within* 3, 7, *or* 14 *days, one month, three months, six months, etc.*; *Cash less* 1, $1\frac{1}{4}$, $2\frac{1}{4}$, 3, 4, 5, $7\frac{1}{2}$, 10, $12\frac{1}{2}$, 15, or 20 per cent. *for payment within* 3, 7, *or* 14 *days, one, three, or six months; Monthly, Quarterly, or Half-yearly Accounts less* 1 *per cent. or any greater discount, prompt; Monthly, Quarterly, or Half-yearly Account less* 1 *per cent. or any greater discount for payment within* 3, 7, *or* 14 *days, one or two months, after rendering.*

Cash with Order (C.W.O.) means that the goods must be prepaid; **Cash on Delivery** (C.O.D.), that the goods must be paid for on delivery; **Spot Cash**, that payment must be made on taking possession of the goods; **Prompt Cash**, is a somewhat elastic term, but it is generally understood to mean that payment must be made within fifteen days from the date of the invoice; **"1 per cent. 3 Days,"** means that a discount of 1 per cent. will be allowed from the amount of the invoice if payment is made within three days of its date; **"1 per cent. monthly, prompt,"** means that a discount of 1 per cent. will be allowed from the amount of the statement if it is paid

within from three to fifteen days of rendering; "**1 per cent. monthly, due 30 days,**" means that 1 per cent. will be allowed from the amount of the statement if it is paid within thirty days of rendering. Thus, when a trader sells to another trader goods to the value of £20 for "Cash less 5 per cent. within 7 days" he virtually says to his debtor, "if you will pay the amount of my invoice within seven days of its date I will accept £19 instead of £20 in full discharge of your debt." A cash discount, then, is an allowance made by one trader to another to ensure payment of an invoice or statement within a specified period of time. Another method of attaining the same object is shown on Ayton, Smith & Collier's invoice, p. 84, where the student will note the announcement that "Interest at the rate of 5 per cent. is charged on overdue accounts." I give below a few specimen invoices obtained from representatives in various trades; others will be found scattered throughout the book.

TELEPHONE:
1875 GERRARD
TELEGRAMS: WOODBURY, LONDON

No. C 4586
LONDON, 31 *Mar.* 1910
14 OLD BURLINGTON ST, W.

Messrs. Macdonald & Evans, London

To **WOODBURY'S, LIMITED**

Photo Engravers, Designers, Colour Printers, &c.

WORKS: CHALFONT ST. GILES, BUCKS

All cheques and remittances to be sent direct to 14 Old Burlington St., W. and crossed BANK OF ENGLAND

TERMS NET. QUARTERLY ACCOUNT

		£	s.	d.
6 subjects by S.R.				
3 ,, John Willoughby				
1 ,, Panton				
10 sets of 3 colour blocks . .	3/5/–	32	10	0
Printing 5000 copies each of 4 sets, 3 colour blocks, on dbl. Cap. Art. with underlines in red, as per estimate 15/3/1910 . .		10	15	6
	£	43	5	6

N.B. NOT RESPONSIBLE FOR LOSS BY FIRE. PROOFS ATTACHED are for the purpose of identification only, and should always be returned with invoice when any question of error arises.

REGISTERED TELEGRAPHIC ADDRESS
"AYTON" LONDON
REGISTERED TELEPHONES { NO. 2731 AVENUE / NO. 5319 CENTRAL

HEAD OFFICE, 147 MINCING LANE,
LONDON, E.C.

11th Sept. 1910

Messrs. Capel, Morris & Co., 26–29 John St., Leicester

Bought of **AYTON, SMITH & COLLIER, Ltd.**

LONDON, CALCUTTA & COLOMBO

Oblige by giving Nos. and ship or date of invoice with clearing orders to avoid delay

All Teas and Coffees in our keeping are protected from loss by fire and held as security for current accounts. Public Sale Conditions

Interest at the rate of 5 per cent. charged on overdue accounts

All Cheques sent by post should be crossed "Credit of Payee's account only"

			£	s.	d.
11 Bags Vera Paz Coffee					
*157 1 2 18 3 2**					
8					
9					
60					
1					
2					
3					
4					
5					
6					
7					
18 1 14					
1 27					
17 3 15		at 76/-	67	19	3
1 Mo.		Less 1 per cent.		13	7
		£	67	5	8

* This signifies 3 lbs. tare and 2 lbs. draft per bag, but when calculating the Duty the draft is not taken into account. Draft allowance is an arrangement between buyer and seller and is not recognised by the Customs authorities. On the next page is a Duty Note debiting Capel, Morris with £2 5*s.* 8*d.* for duty paid on their a/c by Aytons in respect of the first two bags cleared from Bond.

REGISTERED TELEGRAPHIC ADDRESS
"AYTON" LONDON
REGISTERED TELEPHONES { NO. 2731 AVENUE / NO. 5319 CENTRAL

HEAD OFFICE, 147 MINCING LANE,
LONDON, E.C.
11th Sept. 1910

Cash advanced for *Messrs. Capel, Morris & Co.*

By **AYTON, SMITH & COLLIER, Ltd.**
LONDON, CALCUTTA & COLOMBO

Oblige by giving Nos. and ship or date of invoice with clearing orders to avoid delay

All Teas and Coffees in our keeping are protected from loss by fire and held as security for current accounts. Public Sale Conditions

Interest at the rate of 5 per cent. charged on overdue accounts

All Cheques sent by post should be crossed "Credit of Payee's account only"

2 Bags Vera Paz Coffee *157/8 — 3 1 1*	*@ 11/-*	£2	5	8

INVOICE

The Plantin Press
WOLVERHAMPTON,
15 *April*, 1910

Messrs. Macdonald & Evans, London

To ALLANSON & BARTON, LIMITED

TERMS: 5 PER CENT. MONTHLY

	£	s.	d.	£	s.	d.
To 5000 Copies "Winton's Experiment" 12 sheets of 32 pp. Composition, 12 sheets at £3/9/ as per estimate . . .	41	8	0			
Additional for small type and advts.	2	10	9			
Upmaking from slips, 12 sheets at 8/-	4	16	0			
Author's corrections . .	5	6	9			
Composition of underlines and press-work	1	5	6			
Press-work of 12 sheets = 12 Rms. Qd. at 18/- . .	10	16	0			
				66	3	0

Messrs. Graham & Wallis,
210 Caledonian Road, N.

105 PHILPOT LANE,
LONDON, E.C.
25th Jan. 1910

Folio *D* 310.

TELEGRAPHIC ADDRESS:
"EXCURSIVE, LONDON."

TELEPHONE:
NO. 1465 CENTRAL.

Bot. of HARRIES, LANEHAM & CO.

Sugars are sold upon the terms contained in the Printed Conditions of the London Wholesale Sugar Dealers' Association.

CHEQUES TO BE CROSSED "LLOYDS, LIMITED."

TERMS: 1 *Month* 1 *per cent.*

INTEREST AT 5 PER CENT. PER ANNUM FROM EXPIRATION OF PROMPT.

B.P.	*5 Bags Demerara*						
	714	2	0 21	3/1			
	5	2	1 3				
	6	2	0 27				
	7	2	1 0				
	8	2	1 2				
		11	1				
			20				
					11 0 8 at 16/4½	9	1 4
Imperial	*3 Bags Castor*						
	122/1	6	0 3	2			
			6				
					5 3 25 at 17/3	5	3 0
					£	14	4 1
					1 per cent. dis. allowed only for payment within 1 month		2 10
					£	14	1 6

121 GREAT TOWER STREET,
LONDON

8th Jan. 1910

Bought by Mr. James Glover,
High Street, Leeds

Of MASTERS & STEWART

Payment: Prompt 3 *Months.*

All Warrants in our hands are covered by our insurance, and held as security for current accounts.

9 Chests Assam Fannings							
× City of Benares							
4609	*1*	*0*	*15*	*19 1*			
10	*1*	*0*	*12*	*18*			
1	*1*	*0*	*12*	*18*			
2	*1*	*0*	*15*	*18*			
3	*1*	*0*	*9*	*16*			
4	*1*	*0*	*6*	*15*			
5	*1*	*0*	*12*	*17*			
6	*1*	*0*	*10*	*16*			
9	*1*	*0*	*7*	*15*			
	9	*3*	*14*				
	1	*1*	*21*				
	8	*1*	*21*	*@ 9d.*	*£*	*35*	*8*	*9*

TELEGRAPHIC ADDRESS:
"BELLONA, LONDON."
TELEPHONE NO. 359 HOP.

SOUTH LAMBETH,
LONDON, S.W.
18th Jan. 1910

Messrs. Hocking & Sears, Mayfair.

Bought of WORRALL & JOHNSON

Wine Importers and Spirit Merchants

12 Doz. Brown Seal Port @ 30/-		*18*	*0*	*0*
12 „ Yellow Tarragona @ 11/6		*6*	*18*	*0*
12 „ Mauve Port @ 15/-		*9*	*0*	*0*
6 „ Red Burgundy @ 14/6		*4*	*7*	*0*
	£	*38*	*5*	*0*

INVOICE

DALE ROAD, BERMONDSEY,
LONDON, S.E.

FELLOWES BROTHERS & CO.

MANUFACTURERS OF ENAMELS, PAINTS, VARNISHES, ETC

TELEGRAMS—"LOQUAL, LONDON"
TELEPHONE—NO. 1596 HOP

Sold to *Messrs. James Brown & Son,*
Queen Victoria Street, E.C.

Each Package marked on bottom with our Order Number

D/D *To Stores*

Date *1.7.09* per *Van* carr. *Pd.* Terms *usual*

Our Order No. 75470	Your Order No. 500	Price	Extension			Packages			Total		
		ton									
20 cwts.	Red Paint R.F.U. . .	£30	30	0	0						
	20–6 gall Iron Drums .	4/–				4	0	0			
	Each Gr. 1.0.13 Tr. 13 lbs.							£	34	0	0
Mark Stores.											

Packages must be paid for, but allowed when returned free into works in good order

TELEPHONE NO. 5824
TELEGRAMS, "COLLSON, MANCHESTER"

16 CANNON ST.,
MANCHESTER.
1st *Dec.* 1910

Messrs. Richardson, Whittaker & Co., Ltd.

Bought of **W. C. COLE & SONS, Ltd.**

Manufacturers of the Royal Turkish Towels

Turkish Towels, all descriptions in Cotton and Linen, Turkish Bath Blankets, Terry Cloth, Bath Gowns, Huckaback, Honeycomb and Fancy Towels and Towellings, &c.

			£	s.	d.	£	s.	d.
0 X27260	Item W. H. E.							
	4 Doz. 3XI White Cotton Turkish Towels . .	3 3		13	0			
	7 Doz. 340 White Cotton Turkish Towels . .	13 3	4	12	9			
	2 Doz. 203X Cairo Cotton Turkish Towels . .	23 6	2	7	0			
	2 Doz. 6X White Cotton Turkish Towels . .	11 3	1	2	6			
	2 Dox. 6X1 White Cotton Turkish Towels . .	13 6	1	7	0			
	6 Doz. XCK Grey Sultan Cotton Towels . . .	7 3	2	3	6			
	2 Doz. 932 Grey Sultan Cotton Towels . . .	12 6	1	5	0			
	1 Pce. YC Grey Cotton Rollering, 39 yds. . . .	4¾		15	5			
						14	6	2
							7	2
		2½%						
					£	13	19	0

Sent by G.C.R. carriage paid to Warehouse

LONDON: 40 Gutter Lane
MANCHESTER: 23 Piccadilly
GLASGOW: 5 Newton Street
NEW YORK: 89 Broad Street

14 BRUNSWICK ST.,
BELFAST, 16/4/10

TELEGRAPHIC ADDRESSES:
PARTY, BELFAST
TOMAS, LONDON
PATER, N.Z.

Messrs. Willcox & Sons, London

Bought of **J. THOMAS & PARTNERS Ltd.**

All payments to be made direct to Belfast

			£	s.	d.	£	s.	d.
26″ Linen and Cotton G. Cloth R. 70.	4. 202							
,, ,, ,, ,, B. ,,	2. 101½							
	6. 303½	3¼	4	2	2			
27″ ,, ,, ,, R. B17.	4. 191							
,, ,, ,, ,, B.	2. 95½							
	6 286½	3½	4	3	6			
24″ Linen Glass Cloth R. L75. .	3. 143½							
,, ,, ,, ,, B. ,, . .	1. 148							
	4. 291½	4¼	5	3	3			
26″ ,, ,, ,, R. L80. .	3. 139½							
,, ,, ,, ,, B. ,, . .	1. 43							
	4. 182½	4½	3	8	5			
26″ ,, ,, ,, R. L100 .	2. 86½							
,, ,, ,, ,, B. ,, . .	1. 40							
	3. 126½	5⅝	2	19	4			
47″ Linen and Cotton Dowlas. D41	2. 104	6	2	12	0			
			22	8	8			
3½ per cent.				15	8			
						£	21	13	0

One case sent to office country packed, Carriage Paid on one case, returnable

TELEPHONE :
NO. 3359 MANCHESTER
NO. 98 OLDHAM

Manchester Office, 29 Major Street

OLDHAM

16*th May*, 1910.

Messrs. Turner, Sons & Co., Liverpool.

Bought of **J. & P. BAYLEY, LTD.**

SPINNERS' MANUFACTURERS OF

White-Grey Fancy Turkish Towels, Honeycomb and Huckaback Towels, Bath Blankets, Terry Cloths, Rollerings, Dusters, &c., Bleached, Twill, and Plain Sheets and Sheeting.

No deduction will be allowed from the amount of this Invoice except seen and agreed to.

			£	s.	d.
0/3229	*Item S.M.H.*				
	3 Pces. Sheeting 54″ CW30 1/62. 1/63, 1/64½ = 189½ yds.	6⅜	5	0	8
	3 Pces. Sheeting 70″ CW35 2/61½, 1/62 = 185 yds	9⅜	7	4	6
	3 Pces. Sheeting 80″ CW35 2/61, 1/60 = 182 yds.	10½	7	19	3
			20	4	5
	Less 3%			12	2
		£	19	12	3

One case sent to office country packed, Carriage Paid on one case, returnable

NATIONAL TELEPHONES { 7456 / 7457
TELEGRAMS: FELTONS, MANCHESTER

66 OLDHAM STREET,
MANCHESTER

3/12/10

Messrs. Crossley & Bros. Ltd., London

Bought of **THE FELTING ASSOCIATION, LTD.**

Felt Manufacturers, Dyers and Printers

						£	s.	d.
0/38206	Item D.E.K.							
8/4 S718.	Superfine Felting	4432½	CH 103	29				
	1 damaged	4345	4	29				
	1 „	3987	19	30				
	1 „	7467	44	29				
	2 „	7774	70	29½				
		2327½	7	29½				
	1 „	0169	83	31				
		4673	13	30½				
	1 „	4952½	93	30				
	1 „	3890	15	31				
				298½				
	Less 8 damages ¼ yd. each			2				
				296½	1/7½	24	1	10
	Less 3% prompt cash						14	6
					£	23	7	4

One case sent to office country packed,
Carriage Paid on case, returnable

TELEPHONE NO. 1642
TELEGRAMS: JUBBON

116 MOOR STREET,
GLASGOW, 11/12/1910

Messrs. Westchurch & Co. Ltd.
15–16 Fore Street, London, E.C.

Bought of **FREDERICK JUBB & SON, Ltd.**

TERMS 10 PER CENT., AND 2½ PER CENT. DISCOUNT, PROMPT CASH.

				£	s.	d.			
28 in.	3	86½ Yds. Green Cotton Blindings .	7⅛	2	11	5			
32	3	90½ ,, ,, ,, .	7⅞	2	19	5			
34	3	88 ,, ,, ,, .	8⅛	2	19	7			
36	6	183 ,, ,, ,, .	8½	6	9	7			
38	3	85½ ,, ,, ,, .	9	3	4	2			
40	3	91½ ,, ,, ,, .	9½	3	12	5			
				21	16	7			
			10%	2	3	7			
				19	13	0			
			2½%		9	10			
						£	19	3	2

One case sent to office "country packed," Carriage Paid on one case, returnable

TELEPHONE:
NO. 34 HALIFAX
TELEGRAMS: DARNER

London Warehouse: 17 Moor Lane, E.C.
Glasgow Warehouse: 882 Graylen Street

TENTER CROFT MILLS, HALIFAX
3rd December 1910

Messrs. Duckworth & Smith Bros. Ltd.

Bought of **GOODAIR & DEARDEN, LTD.**

Manufacturers of Bee Hive and White Heather Scotch Fingerings, Wheelings, Knittings and Fancy Wools, Bee-hive and Capstan Soft Knittings, Manufacturing and Hosiery Yarns.

			£	s.	d.			
0/3453	H.528							
	In ½ Spindles. Net weight tickets							
	Case 4/10 × 2/7 × 3/- 3-0-17	13/-		13	0			
	1 Spdl. 51 Petticoat Fingering	40/-	2	0	0			
	10 Spdl. 51 . 52 . 353 . 73 4-ply Soft Merino	16 6	8	5	0			
	7½ 1 ½ 1							
	23½ „ 52 . 51 . 53 4-ply Fingering	25/-	29	7	6			
	15 7½ 1							
	3 Boxes 51 Lady Betty Fleecy	5 6		16	6			
	1 Box 900 Ivorine	4/4		4	4			
	3 Boxes 51 Shetland	5 6		16	6			
	2 Boxes 51 Andalusian	5/6		11	0			
			42	13	10			
		10%	4	5	4			
			38	8	6			
		2½%		19	2			
					£	37	9	4

One case sent to office country packed,
Carriage Paid on 1 case, returnable

TELEGR. "GEFYR, BERLIN" INSEL-STR. 91, BERLIN S.

18*th Dec.* 1910

Messrs. William North & Sons, Manchester.

Bought of BLUM & RUDENBURG

O/S. 24657. Item M.E.H.

			£	s.	d			
Nos. 5-6	Berlin Fingering Wool							
	12½ Cream White 3445	11/8	7	5	10			
	1½ Black 3446	11/4		17	0			
	2½ Blue 3020 . 22 . 28 (1 ½ 1)							
	3½ Scarlet 3110 . 12 . 14 . 16 (1 ½ 1 1)							
	½ Myrtle 4414							
	½ „ 4415							
	½ Violet 4576							
	½ „ 4578							
	½ Fawn 3599							
	½ „ 4107							
	½ Blue-grey 4579							
	9½	12/4	5	17	2			
	1 Navy 494							
	½ New Rose 4823							
	1½	13/–		19	6			
	1 spindle = 4 lbs.		14	19	6			
	2½% discount			7	6			
						14	12	0
	2 Cases					1	0	0
						15	12	0

Country of origin, Germany. The cost of carriage from factory to port of shipment amounting to 5/1d. has been included in the price of these goods.

No.	Gross wt.	Measurements.
5	104 kg.	43¾ 36¼ 34 in.
6	100 kg.	

Certified correct
(sd) Blum & Rudenburg.

London Office and Show Rooms
BATH HOUSE
21 HOLBORN VIADUCT, E.C.

SUMMER HILL GLASS WORKS
STAFFS, *13th Dec.* 1910

Messrs. Thompson and Davies, Ltd.

Bought of **JONES, PEARSON & CO.**

N.B. We guarantee all our goods to be BEST ENGLISH LEAD GLASS

			£	s.	d.			
40 6″.	33468.	Crystal Vases. Per Dozen	6/–	1	0	0		
72 8″.		,, ,, ,, ,,	8/–	2	8	0		
80 6″.	38117½.	,, ,, ,,	6/–	2	0	0		
80 8″.		,, ,, ,, ,,	8/–	2	13	4		
40 6″.	No 37820.	,, ,, ,,	6/–	1	0	0		
80 6″.	37821.	,, ,, ,,	6/–	2	0	0		
80.	No. 33994.	Flint Vases . ,,	2/3		15	0		
80.	25959.	,, . . ,,	2/3		15	0		
80.	26783.	,, . . ,,	2/3		15	0		
80.	26088.	,, . . ,,	3/–	1	0	0		
				14	6	4		
		Plus 10 per cent.		1	8	7		
				15	14	11		
		Discount 5 per cent.			15	9		
				14	19	2		
		,, 2½ ,,			7	6		
				14	11	8		
		Casks, 2 at 12/6		1	5	0		
							15	16	8

Per G.W.R. to your Warehouse

Net wt.	Gross wt.	Measurement.
141 lbs.	3.1.20	28 × 42
183 ,,	3.2 0	48 42

Casks returnable and credit allowed in full

T.A. "NUCLEUS, LONDON,"
TEL. 1492 HOP

16 SPA ROAD, BERMONDSEY,
LONDON, S.E.
20th Dec. 1910.

Messrs. Albert Smith & Co. Leicester

Bought of **THOS. BROWN & CO.**

LEATHER MERCHANTS

		£	s.	d.
10 doz.	Black Box Calf Stout 1287 ft. @ 13*d.* per ft.	69	14	3
4 „	Coloured Box Calf Stout 469¾ ft. @ 14*d.* „	27	8	0
20 „	Pat. Calf @ 57/- per doz.	57	0	0
10 „	Waxed Calf II, 30 lbs. av. 296 lbs. @ 4/6 p. lb.	66	12	0
		220	14	3
	2½%	5	10	4
	£	215	3	11

TEST PAPER VI

1. Define an Invoice. Does an Invoice in the Home Trade usually include a charge for carriage ?
2. Explain three methods of dealing with Invoices for Goods Bought.
3. Explain three methods of dealing with Invoices for Goods Sold.
4. What are Credit Notes and Debit Notes ? Under what circumstances can a Debit Note be dispensed with ?
5. Give the particulars usually stated in an Invoice.
6. What is a Pro Forma Invoice ? State the conditions under which such an Invoice would arise.
7. Explain Tare, Gross Weight, and Net Weight. What is Average Tare and Actual Tare ?
8. What is Draft ? Is it an invariable quantity ?
9. Explain Trade Discount and show how Trade Discount differs from Cash Discount.
10. Explain C.O.D., C.W.O., Prompt Cash ; net 30 days ; Quarterly a/c less 5% ; 30 days, 1¼% ; Spot Cash.
11. Explain the manner in which Average Tare is arrived at.
12. In what way are Invoices sent to customers ? How much does it cost to send an Inland Invoice ?
13. Calculate the following : 1¼% on £98 10*s.* 6*d.* ; 2½% on £37 10*s.* 3*d.* ; 5% on £58 5*s.* 11*d.* ; 12½% on £196 8*s.* 8*d.*
14. Suppose you buy the following goods from Messrs. Barrett and Hopwood, 15 Eastcheap, London, E.C. 5 cases Tomatoes—2 doz. each case, @ 4*s.* 6*d.* per doz. ; 6 Cases Sardines—100 tins each case, @ 3*s.* 10½*d.*

per doz. : 5 boxes French Plums, 28 lb. per box, @ 45*s.* per cwt. ; 10 ¼-boxes Valencias, net weight 17 cwt. 2 qrs. 5lb. @ 40*s.* per cwt. Make out an Invoice for the goods and deduct 1% for prompt cash.

15. Suppose in the example above that 20 tins of sardines were found to be "blown" *i.e.* unfit for consumption through decomposition. Write a letter to Barrett and Hopwood pointing out the fact and claiming credit for the blown tins.

16. Make out a Credit Note for the 20 blown tins such as you would receive from Barrett and Hopwood.

17. What is a Loco Price ? Is it usual to send Invoices with the goods ?

18. Explain the purpose of an Invoice.

19. Condense the following in to a telegram and state the cost of forwarding it to each of the three persons whose names and addresses are given. "I can offer you 50 cases of Tate's No. 1 Cube Sugar at 20*s.* 6*d.* per cwt., f.o.r. Liverpool, subject to being unsold on receipt of your reply." (Signed) "Sweeter." To Brown, 57 High Street, Nottingham ; to Symes, 36 Fleet Road, Nottingham ; to Steele and Flint, The Broadway, Nottingham. (*West Riding C.C. Elem.* 1908.)

20. On March 2 A. Brown of Kidderminster purchases from Silver and Co. of Nottingham the following : 191 yds. Black Velvets at 1*s.* 4*d.* per yd. ; 321 yds. Coloured Velvets at 1*s.* 5*d.* Make out in business form the invoice for the goods. Write a letter from Brown to Silver and Co., complaining of the quality and unsatisfactory finish of the goods and stating that the goods will be returned unless an allowance is made. On March 4 Brown returns 28 yds. Black Velvet at 1*s.* 4*d.* to Silver and Co. Make out Brown's debit note for the returns. (*Midland Counties Union Elem.* 1907.)

21. Arrange the following letter in proper form, correcting all mistakes : 26 princes rd chelsea. To Mr. Baker Dere Sur imeditely i got your letter i set about the work you ordered me to do but i find i shell not be abel to get it dune in the time you sed has their are meny more alterations nesesary than you think yours truely G. Clark.

(*N. Union of Teachers Elem.* 1908.)

22. Make out an invoice for the following, and deduct 5% discount :. ¼ doz. shirts @ 20*s.* ; 5 doz. half-hose @ 12*s.* 6*d.* ; 50 yds. lining at 6*d.* per yd. ; $\frac{1}{12}$ doz. blouses @ 30*s.* (*N. Union Teachers Elem.* 1909.)

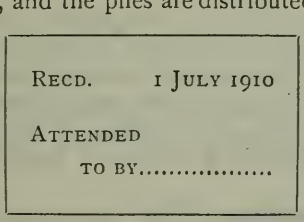
23. Explain the abbreviations R/P. ; T.C. What would be the charge for the following telegram : "Phipps-Hornby, Oxford Place, Newport (I. of W.), Consols $80\frac{1}{2}$–$80\frac{5}{8}$. Canpacs $194\frac{5}{16}$–$194\frac{5}{16}$. Cautious London."

CHAPTER VI

LETTERS, INVOICES & ACCOUNTS—AN OBJECT-LESSON

THE methods of dealing with Letters, Invoices, etc., have already been described generally, but inasmuch as these methods are somewhat modified in practice an actual exposition of the way such documents are dealt with in a modern manufacturing business may be helpful to the student. I will accordingly describe the methods used in the office of Messrs. Fellowes Bros. & Co, manufacturers of enamels, paints, and varnishes.

Post Inwards. All letters are opened by a principal and sorted into piles—(1) Letters, (2) Orders, (3) Invoices, Credit Notes, and Accounts, (4) Receipts, (5) Cash. The letters and orders (the latter are numbered in rotation as received) are stamped with a rubber dating stamp, and the piles are distributed amongst the clerks



responsible for dealing with them. As the principal opens the letters he dictates the names of the correspondents and details of the letters, etc., to a correspondence clerk, who records them in a book kept for the purpose, the ruling of which is as shown on p. 100. The student will note that the Correspondence Book is also used as a postage book for recording the despatch of letters, telegrams, cablegrams, and parcels, the entries being so arranged that the

CORRESPONDENCE BOOK (left-hand page)

Monday, 4th June 1910.

FROM	INQUIRIES.	ORDERS.	MISCEL.	CASH. £	s.	d.
J. Abbot & Sons	White Zinc Pt.					
Wilson & Co.			Cheque	165	4	3
G. Elliot & Co.		1				

CORRESPONDENCE BOOK (right-hand page)

Monday, 4th June 1910.

£	s.	d.		£	s.	d.
8	10	7	Brought forward Brought forward	6	5	8
			J. Abbot & Sons, 2*d.*; Wilson & Co. 1*d.*; C. Jones, 1½*d.*			4½
			500 Statements, £1 0*s.* 10*d.*; 5 Advices, 2½*d.*	1	1	0½
			23 Invoices			11½
			Registered Letters—			
			Baylis			4
			Telegrams—			
			James & Co.			10½
			Parcels—			
			J. Abbott & Sons, 6*d.*; W. Thompson, 10*d.*		1	4

record of each day's outward correspondence and parcels is confronted by the record of each day's inward correspondence. The money received, and the amount expended for each day's postage, is totalled at the end of the day and carried forward, day by day, for a week. It is then balanced, the balance in hand being made up on the "imprest" method (see p. 111) to a round sum with which to begin the new week.

Outward Correspondence. The letters requiring attention are placed on a Shannon File. The correspondence clerk goes through the letters special forms the particulars required in order that each ered, and sends these forms to the Works Departmer ouse, the Forwarding Department, or the Laboratory the nature of the information wanted. These forn iculars attached, are duly returned to the Correspon t and the clerk then dictates the replies.

Let me suppose that Messrs. Fellowes receive one morning the following inquiry :

TELEGRAMS
"GLACIAL, MANCHESTER"
TELEPHONE 15906

18–20 PANTON STREET, MOSS SIDE,
MANCHESTER
5th June, 1910

JOHN ABBOT & SONS
BUILDERS' MERCHANTS

Patentees of "Glacial" Sanitary Ware

In reply quote No. B6189
Dic. H. F. A. Typ. J. C.

Messrs. Fellowes Bros. and Co.
Dale Road, Bermondsey, S.E.

Dear Sirs,

Please send us by return samples and analysis of your White Zinc Paint, and quote us for two-ton lots delivered to warehouse here. Also please state earliest time you can deliver from receipt of order.

Yours faithfully,
pp. John Abbot & Sons,
J. C.

The Correspondence Clerk fills up an "Information Wanted" form :

Date *6th June*, 1910

INFORMATION WANTED.

Reply to be made on this Form.

By Office..... From Laboratory.....

Order No..... S. No. 654 S.I .....

Please give makes for White Zinc Paint 80% *reduced and* 60% *reduced. To-day certain.*

On receipt of this form the chemist sends in particulars of the makes on a "make form" and from this form the costs are calculated. The make, together with instructions as to sampling, are entered in a manifold book, and the tear-out copy is sent to the department handling this particular class of goods, in order that the samples may be sent. When the samples have been despatched the make form is returned to the Correspondence Department, with particulars of the despatch of samples, &c. From this form the Correspondence Clerk dictates his reply as follows:

TELEGRAMS: "LOQUAL, LONDON." DALE ROAD,
TELEPHONE: NO. 1596 HOP BERMONDSEY, S.E.
6th June, 1910

FELLOWES BROTHERS & CO.

Manufacturers of Paints, Oils, and Varnishes.
Contractors to H.M. and Foreign Governments.

Messrs. John Abbot & Sons, 18–20 *Panton Street*,
Moss Side, Manchester

Dear Sirs,

We are in receipt of your favour of the 5th inst. (*B* 6189), *for which we thank you. In reply, we have sent you to-day, per parcel post,*

1 *lb.* 80% *reduced W.Z.*
1 *lb.* 60% „

For 2-ton lots delivered Manchester, within three days of receipt of order, we can quote you as follows—

80% *reduced W.Z.* £13 10 *per ton*
60% „ £14 10 „

Packages extra, but credit allowed in full if returned carriage paid, in good condition.

We trust you will find the samples satisfactory, and that you can pass us the business. Soliciting a continuance of your favours,

We are,
Yours faithfully,
pp. Fellowes Bros. & Co.
J. C. B.

The inquiry is then entered in an inquiry book.

INQUIRY BOOK.

1910.	NAME AND ADDRESS.	NATURE OF INQUIRY.	REPLIED TO.
5th June	J. Abbot & Sons, 18–20 Panton Street, Moss Side, Manchester	W.Z. Paint	6th June

The right-hand side of the inquiry book is left blank in order that notes may be made. If the samples did not result in an order within a reasonable time a letter of reminder would be sent.

> *In compliance with your request dated the 5th inst., we had the pleasure of sending you on the 6th inst., samples of our White Zinc Paint. As we have not been favoured with any communication from you since, we write to inquire if you found the samples suited to your requirements. Should they have been found unsuitable we shall be glad to have the opportunity of forwarding other samples that may meet with better success. Kindly let us have word from you on the subject.*

A note of this letter would be made in the inquiry book on the blank page, and a note would also be made of any reply to it. It might happen that Abbot Bros. had not had time to test the samples. And the note would be "tests not complete" 18/6/10. If subsequently an order resulted the word "order" would we written against the inquiry, and the entry would be closed. If the order had passed Messrs. Fellowes because their prices were too high, the traveller would be informed of the fact, and instructed to find out, if possible, the name of the competing firm, and the price they tendered; also if their samples were or were not of a lower quality than Messrs. Fellowes had offered to supply.

I will assume in the case under review that an order did result.

ORDER

No. 6189
10*th June*, 1910

From

JOHN ABBOT & SONS
18-20 Panton Street, Moss Side
Manchester

TELEGRAMS "GLACIAL, MANCHESTER"
TELEPHONE 15906

To Messrs. Fellowes Bros. and Co., Bermondsey, London, S.E.

QUANTITY	DESCRIPTION
	Please supply the undermentioned goods :
50 cwts.	*80 per cent. Reduced White Zinc Paint*
50 cwts.	*60* „ „ „ „
	As per your quotation dated 6th June, 1910 and samples submitted

REMARKS :
This order must be executed within three days of receipt, otherwise it is cancelled.
All goods to be forwarded by L.N.W.R., and consigned to our works, Meadow Lane, Moss Side, Manchester.
Advice Notes to Meadow Lane. Invoices to Panton Street

per JOHN ABBOT AND SONS.
J. H.

This is numbered in rotation and handed with the other orders to the Order Clerk, who goes through the filing cabinet to ascertain the previous order, or the sample Order No., or the price paid, or whatever particulars are required for the Works Department and the Invoicing Department. All such memoranda are pencilled on the order, and the Invoice Clerk hands the order to the typist for the invoice to be made out. Invoice (1), Charge Sheet (2), (Messrs. Fellowes use loose-leaf ledgers, and these charge sheets, which are really duplicate invoices, are filed to form a day book). Commission Sheet (3), Geographical File Copy (4), Warehouse Order (5), Works Department Order (6), Despatch Receipt (7), Receive Note (8), and Traveller's Advice (9)—nine documents in all—are typed at one operation on an Elliott-Fisher Billing Machine. These nine forms are lightly

glued together at the left-hand edge, and punched with two circular holes to fit over the studs projecting from the bed of the Billing Machine. Every morning the junior clerk insets a number of these pads of forms with carbon ready for the typist. The forms are not all of the same size, and only *Forms* 1, 2, 3 and 4, contain priced particulars—the carbon insets being of varying sizes and placed in correct positions for Duplicating. When the forms have been typed, Nos. 1–4 are separated from Nos. 5–9, care being taken not to break the glue which holds Nos. 1–4 together, as they have to go into the machine again. *Form* No. 5 is sent to the warehouse for the order to be executed. *Form* No. 6 is sent to the Works Department putting up the particular class of goods required. When the goods are ready they are sent to the warehouse accompanied by a duplicate Works Advice Form. The Head Warehouseman compares this Works Advice Form with Warehouse Order (Form 5), and if it agree, fills in the name of the carrier, gross weight, tare, date of despatch and sends it with the Warehouse Order to the Order Department. The typist has now all particulars to complete Forms 1–4.

Form 1. The Invoice is checked by the Checking Clerk who initials it if correct; and hands it to the Postal Clerk to be sent off.

Form 2. The Charge Sheet is filed between stout leather covers from the lower of which project two steel rods, over which the punched charge sheet is passed, the whole being kept in place by the upper removable cover, hinged $2\frac{1}{2}''$ from the left-hand edge to permit it being thrown back so that the charge sheets can be referred to. The charge sheets thus filed to form a kind of loose-leaf day-book or journal, are posted by the Ledger Clerk direct to a loose-leaf ledger, thus avoiding the twofold copying book incidental to the use of a day book or journal. Every month the total of the charge sheets is carried to a Sales account in the ledger.

Form 3. The Commission Sheet is used for calculating the traveller's commission, the traveller's initials being typed in upon the form. These forms are filed under the particular traveller to whom they relate.

Form 4. The Geographical File Copy is filed away in an Amberg Cabinet under towns. When a change of traveller occurs, or a traveller's district is enlarged, or the principal of the firm is going into a district where the firm is not represented, it is an easy matter to see what business is being done in a particular district,

and to send such letters and advices as are necessary. The travellers always receive carbon copies of all letters addressed to the particular customers on whom they call, and also advices of the despatch of goods (Form 9).

Form 5. The Warehouse Order, with the Works Advice attached, is filed in the Order Department according to the Order No. on a similar plan to that used for the charge sheets. This file is indexed under buyers' names—the Order No. being the folio—and serves as an "Orders Received Book" for office reference.

Form 6. The Works Department Order is filed by the Works Department in a similar manner to that adopted for Form 5.

Form 7. The Despatch Receipt is handed to the carman, who gets it signed by the customer or customer's agent receiving the goods, as a receipt for the goods.

Form 8. The Receive Note is posted to the buyer as an advice of the despatch of the goods.

Form 9. The Traveller's Advice is, as already explained, posted to the traveller responsible for getting the order, so that he may know his order has been executed.

Filing Letters. All answered letters are filed in an Amberg Filing Cabinet—a cabinet similar in principle to, though differing in some details from, the Shannon described on p. 24—with the material for answering the letter, and the copy of the answer attached. A carbon copy is typed with every reply, and the carbon copy is sent to the traveller in whose district the correspondent resides. Periodically the Amberg File is cleared and the papers transferred to binding cases, which are dated and numbered and ranged in chronological sequence on easily accessible shelves.

Copying Letters. All letters are copied on a Roneo Rotary Copier.

Telephone Messages are recorded as described on p. 43.

Inward Invoices. All invoices are stamped on receipt as follows:

GOODS RECEIVED.

Quantity checked by.....

Price checked by.....

Working checked by.....

Entered..... Folio.....

The invoice is then handed to a clerk dealing with these invoices, who compares it with the Goods Inward Book kept by the Receiving Department.

GOODS INWARD BOOK

1910.	QUANTITY	GOODS.	WEIGHT.	SENDERS.	CARRIERS.	DEPT.
19 June	2 Brls. 3 doz. 6 Rolls	Linseed Oil 1 gal. Cans Copying Paper	8.2.26	Baltic Oil Co. J. Feaver France & Co.	Own van ,, ,, L.P.D.C. Pd.	Mill Room A.D. Office

If the invoice agrees in all particulars with the record in this book the clerk initials the line: *Quantity checked by . . .* and also ticks off the record in the Goods Inward Book. The invoice is then handed to the buyer who checks the price, and, if correct, initials the line: *Price checked by . . .* Afterwards a clerk checks the calculations, and, if correct, initials the line: *Working checked by . . .* Should any inaccuracy be disclosed, the invoice is returned to the senders for correction. Every month the invoices are sorted, all those emanating from the same firm being tabbed together with the amounts of each invoice stated and totalled on a slip of paper attached to the tabbed bundles. These totals are then entered by the Purchase Ledger Clerk into a Purchase Journal, and from the journal posted to the Purchases Ledger. Thus instead of many entries there is only one per month for each firm. The invoices are then filed under the name of the firm in an Amberg Cabinet for invoices.

Purchase Accounts are checked from the invoices and, when paid, filed in the two or three divisions of the Invoice Cabinet devoted to that purpose.

Unexecuted Orders. Sometimes an invoice cannot be completed on the same day as the order is given to the Works Department. All such invoices are entered upon an unexecuted order list, and every day the head of the Order Department goes through this list with the manager of the department, thus keeping touch with all unfilled orders, and preventing them being overlooked or their execution delayed. Should any alteration be made in an order after it has been issued to the Works and Warehouse Departments the alteration is typed in duplicate upon a *green* form, and is sent to both departments.

The green colour at once indicates that it is an alteration of an existing order and the form is attached to the original.

Export Invoices. Export orders requiring more than one invoice are treated exactly in the same way as home orders, the extra copies of invoices being typed on No. 1 forms, on the back of which the certificate of origin has been printed by means of a Remington Duplicator.

Multiplication of Commercial Papers. This is effected by a hand-worked Roneo Multiplier as described on p. 29, the names and addresses of the persons to whom the circular &c. is sent being afterwards added on a typewriter in the same coloured ink as that used for multiplying the document.

Organisation of the Office. The student will note that though Messrs. Fellowes' business is divided into many departments: Laboratory, Works Department, Warehouse, Receiving Department (the Works Department being further sub-divided into different sections), yet all the correspondence and the general control of the business is centralised in one office so that the names of the customers and the prices at which they buy are known only to the central office, the Warehouse Department alone excepted, and all price particulars are withheld even from the warehouse.

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1. Make out an invoice as from John Dawson and Co., Leeds, to Smith, Brown and Co., Manchester, for the following goods:

No. 2762, 1 piece, 56 in. Coating, x 27, 50 yds. @ 6*s.* 3*d.* per yd.
2763, 1 ,, ,, ,, x 35, 48 yds. @ 6*s.* 3*d.* ,,
2764, 1 ,, 28 in. Trouserings, 274, 47 yds. @ 4*s.* 9*d.* ,,

Terms 2½% one mo. Per L. & Y. Rly. (*West Riding C.C.* 1904.)

2. Condense the following market report into suitable telegram form: Woollen and Worsted Trades. London, Friday. At the re-opening of the auctions here to-day buyers were in large attendance, and increasing animation was displayed all round, practically the whole of the catalogues being cleared on the full basis of values hitherto ruling. The offerings comprised over 14,000 bales, made up chiefly of merino wool suitable for Continental consumption, and, with the exception of a few of the best greasy parcels which were secured for America, fell to bids mostly on French and German account. The large assortment of greasy merinos from Sydney and Queensland included some well-grown clips, the former realising up to 14½*d.*, and the latter 13*d.* per lb.

(*Lanc. and Ches. Union, Junior*, 1909.)

CHAPTER VII

COUNTING-HOUSE ROUTINE; PETTY CASH; OPENING, RENDERING, COLLECTING, RECEIPTING, CHECKING AND PAYING ACCOUNTS

It is not proposed in this section to deal with the ledgers and other books used in the counting house, but only with the general principles upon which counting-house work is conducted. Ledgers, cash books, bill books, &c. are more properly treated in a work on book-keeping, and for a full and authoritative exposition of this important subject the student is referred to "Book-keeping and Accounts" by L. Cuthbert Cropper, F.C.A., Examiner to the London Chamber of Commerce and an Examiner to the Royal Society of Arts, 768 pp. price 3/6 net.

Petty Cash. It is necessary in most businesses to keep a sum of ready money in the office in order to meet the small expenses inseparable from the conduct of every business. The money so kept is termed the *Petty Cash*. The control of the petty cash may either be in the hands of the cashier or a subordinate clerk. In large offices where the disbursements are numerous the petty cash is controlled by a subordinate, termed the *Petty Cashier*. The book in which the amounts received for petty cash and the sums disbursed are entered is termed the *Petty Cash Book*. This book is generally ruled in such a way that the sums paid away can be analysed under the various heads of business expense, and the amount which should be in the hands of the Petty Cashier at any moment can be seen at a glance. Sometimes small ledger accounts are paid from the petty cash, or amounts are paid away for furniture, tools, or other things which are marked as part of the *assets* of a firm. In such cases the Petty Cash Book includes a ledger column. A form of petty cash book is shown on p. 110. Column T1 is used for recording cash received; Col. T2 for entering the disbursements. Columns A to I are used for analysing the entries in Col. T2. It will be noted

PETTY CASH BOOK

Dr.					Cr.																										
Date.	Details.	£	s.	d.	Date.	Details.	Total. £	s.	d.	Telegrams. £	s.	d.	Postages. £	s.	d.	Stationery. £	s.	d.	Cleaning. £	s.	d.	Fuel. £	s.	d.	Gas and Electric Light. £	s.	d.	Telephone Charges £	s.	d.	Sundries. £	s.	d.	Ledger. Account	Amount £	s.	d.	Folio.
1909. Mar. 1	Cheque	50	0	0	1909. Mar. 1	Postage . .	0	3	6				0	3	6																					
					,, 3	Brown & Co.	1	4	9							1	4	9																		
					,, 6	House-keeper, cleaning, and sundries . .	2	9	4										2	6	4									0	3	0					
					,, 8	H. Rose (extra discount paid him). . .	0	10	9																								H. Rose	0	10	9	896
					,, 18	House-keeper . .	6	0	2										5	4	2	0	12	0						0	4	0					
					,, 22	Telegrams .	0	5	6	0	5	6																								
					,, 26	Postage . .	1	10	0				1	10	0																					
					,, 29	Gas Co. to 31/12/08 .	4	2	5																4	2	5									
					,, 30	Trunk calls for month	0	7	9																			0	7	9						
					,, 30	Sundry stationery .	0	1	4							0	1	4																	
	Forward £	50	0	0		Forward £	16	15	6	£0	5	6	£1	13	6	£1	6	1	£7	10	6	£0	12	0	£4	2	5	£0	7	9	£0	7	0		£0	10	9	
		T 1					T 2			A			B			C			D			E			F			G			H				I		

NOTES.—If there were no further transactions during March, the following events would take place at the end of the month: (1) £16 15s. 6d. would be drawn from Bank and paid into the Petty Cash, thus raising the Petty Cashier's balance to its original figure of £50. (2) The totals of Columns A to H would be debited to their relative Impersonal Accounts in the Ledger. (3) The separate amount in Column I would be debited to H. Rose's Personal Ledger Account. (4) The whole of the analysis columns would be ruled off and a balance of £50 would be brought down in the debit cash column, whereupon a fresh start would be made.

that the totals of Cols. A to I are the total of Col. T2, and that the difference between Cols. T2 and T1 is the amount in hand. The Petty Cash Book is usually balanced by the cashier every month, the totals of Cols. A to H being posted to the debit of the relative Impersonal or Expense Accounts in the Ledger, and the separate items in Col. I being posted to the debit, either of the respective Personal or the respective Real Accounts in the Ledgers. When the Petty Cash Book has been balanced the total of Col. T2 is paid over by the Chief to the Petty Cashier, thus bringing the latter's balance, on the 1st of the new month, to the original amount with which he started. This arrangement of beginning the Petty Cash Book with a sum sufficient to meet probable requirements for a definite period of time (usually a month), and then at the end of the period balancing the Petty Cash Book and making good the amount expended during the period, so as to bring the balance up to the original sum, is termed the *Imprest Method*, and affords some safeguard against the improper use of petty cash. In small businesses the Petty Cash Book is not so elaborately ruled as the example shown, the analysis columns being dispensed with. The Petty Cashier should take care to obtain receipts for all amounts paid away.

Opening Accounts. (1) When an order to be executed on credit is received from an unknown firm with whom no previous transactions have taken place, it will usually be found that the firm gives the names of one or more members of the same trade, of whom inquiry as to the financial standing of the new firm may be made. In such cases the order is referred to the counting house, and is unfilled until the inquiries have been put through and satisfactory replies received.

(2) In other cases the new firm will furnish the names of their bankers and direct that inquiry should be made through them. A banker will only give references to another banker and in general terms, so that the firm inquiring must write to their own bankers and direct them to obtain the required information.

(3) If however the order is unaccompanied by any references, the firm sending it is politely requested to furnish references, or inquiry is made of one of the different firms of *Mercantile Inquiry Agents*, *e.g.* Stubbs's, Kemp's, or Schimmelpfeng's, whose business it is to collect information regarding the financial status of mercantile firms whose names they keep in classified form in their registers. These

Mercantile Agencies have correspondents all over the country and also abroad, and when inquiry is made of any trader regarding whom they have no information the matter is referred to the correspondent in whose district the trader resides, and the agent, after discreet inquiry, sends a report to headquarters, the substance of which is duly passed on to the firm inquiring. Mercantile Agents charge an annual subscription of two guineas and upwards which entitles the subscriber to a stated number of inquiries per annum, and a copy of the Gazette which these firms publish. These *Mercantile Gazettes* are very useful to traders as they give detailed particulars of all Bankruptcies, Deeds of Arrangement, Bills of Sale, &c., and a variety of other information of commercial value. One great advantage of employing a Mercantile Agency is that the inquiries are made secretly, and that the firm subjected to inquiry is unaware that inquiry is being made. There is therefore no danger of giving offence to any one who may prove to be a reputable trader. I append a few sample letters applicable to the opening of new accounts.

TAKING UP REFERENCE

Private and Confidential

We have received an order from Messrs. James Howell and Co. of Wheelergate, Nottingham, who have given your name as a reference. Messrs. Howell state that they have had an account with you for a number of years, and we shall be obliged if you will kindly tell us, in confidence, whether or not you have found their account satisfactory, and if you would trust them to the extent of, say, £50 per quarter. We enclose stamped envelope for reply.

Reply

Private and Confidential

In reply to your inquiry of we beg to say that we have done business with Messrs. James Howell and Co. of Nottingham for over ten years now, and have always found them punctual in the discharge of their obligations. We should have no hesitation in giving them credit to a much greater extent than the amount you mention.

INQUIRY THROUGH BANKER

The Manager,
Union of London and Smith's Bank, Ltd.

We contemplate opening an account with Messrs. Larking and Spurr of 16 City Road, E.C. They refer us to the Head Office of the London City and Midland Bank. We should be obliged if you would

kindly inquire if it would be safe for us to trust them to the extent of £500.

REPLY

In reply to your letter of the I have made inquiry of the London City and Midland Bank regarding Messrs. Larking and Spurr, and the reply is in the affirmative.

REQUEST FOR REFERENCES

We are in receipt of your valued order, dated the , but you omit to give the necessary references, which as a matter of routine we always require when opening new accounts. If you will kindly repair the omission we will at once put the work in hand.

PRO FORMA SENT AFTER INQUIRY (unsatisfactory)

With reference to your order dated the we beg to enclose herewith pro-forma invoice amounting to £ . The goods are ready for despatch and will be forwarded on receipt of your remittance.

MERCANTILE AGENT'S REPORT

Strictly Private and Confidential

Benson & Co. Liverpool	The sole proprietor of this firm is Mr. F. W. Benson. He started business in 1904 with a small capital, and is considered to have made headway. Large credit is not advisable, but a small credit account up to £10 a month may be run with safety. His reputation with local traders is good.

Rendering Accounts. It is the duty of the ledger clerks to render periodically to the debtors of the firm statements showing the amount due from each. Statements of Account are necessary in order that a particular account as it stands in the Goods Sold Ledger of the seller may be periodically compared with the *corresponding* account as it stands in the Goods Bought Ledger of the buyer, and complications thus avoided. Accounts are made out from the Debtors or Goods Sold Ledger and rendered weekly, monthly, quarterly, half-yearly, or at periods synchronising with the traveller's calls, if it be the custom for the traveller to collect the accounts on his journeys. *An account* is a columnar statement giving the date and amount of each invoice for goods bought by a customer during the period covered by the account. The separate invoices are totalled, any credits for goods returned or allowances being separately enumerated at the foot of the statement and deducted from the total of the invoices. If the amounts of the invoices are *net*, *i.e.* if no settlement discount is allowed, the statement is marked

"net." If a settlement discount is allowed its amount and the time limit for its allowance are stated. Usually a rubber stamp is used for this purpose, worded somewhat as follows:

THIS ACCOUNT IS STRICTLY NET, AND MUST BE PAID ON OR BEFORE THE 15TH JULY.	SUBJECT TO 2½% DISCOUNT IF SETTLED ON OR BEFORE THE 10TH APRIL, OTHERWISE NET.

THIS A/C IS NET AND DUE NOT LATER THAN 21ST JAN. INTEREST AT 5% P.A. WILL BE CHARGED ON ALL OVERDUE A/CS.

Sometimes such wordings are printed upon the statements. In other instances the terms of settlement are written upon them by the clerk who renders them, *e.g.*:

5 % 1 *mo.* 2½ % 7 *days.* *Quarterly, net.*

The settlement discount varies with different trades, and even with different customers in the same trade. It may happen that a customer has not paid the last account when the time for rendering the statement again comes round. In such cases the first entry upon the statement is *To account rendered* £20 10*s.* 6*d.*, or whatever the unpaid amount may be.

It may also happen that the previous account has only partially been paid and an outstanding balance still remains for settlement. In such cases the statement opens with the entry: *To Balance Brought forward* £10 9*s.* 8*d.*, or whatever the balance may be.

When rendering accounts to dilatory payers it is customary to gum on to the statement a small label, printed similarly to the specimens below.

THIS ACCOUNT IS MUCH OVERDUE, AND A SETTLEMENT IS REQUESTED BY RETURN.	AN IMMEDIATE REMITTANCE WILL GREATLY OBLIGE.

I give below two specimens of statements:

196 CORPORATION STREET
BIRMINGHAM.
1st *April* 1910

Messrs. Wm. Appleby & Co.,
14 *Wood Street, London, E.C.*

Dr. to HAYWARD & SIMPSON

1910.		£	s.	d.
Jan. 10	*To Goods*	*10*	*7*	*9*
,, *18*	,,	*2*	*7*	*5*
,, *25*	,,	*3*	*7*	*8*
Feb. 14	,,	*7*	*5*	*3*
,, *23*	,,	*4*	*1*	*7*
Mar. 29	,,	*12*	*8*	*3*
	£	*39*	*17*	*11*

SUBJECT TO 10% IF PAID NOT LATER THAN 15TH APRIL.

TEL. 1968 CENTRAL
TELEGRAPHIC ADDRESS:
"BENITO, LONDON"

18, 19, 20, 21, 22 TOTTENHAM COURT ROAD
LONDON, W.C.
1st *Jan.* 1910

Messrs. B J. Sorley & Sons, 16 Above Bar, Southampton

Dr. to **B. J. WOODHOUSE & BROTHER**

Terms 2½% Quarterly net 2½% NET.

1910.		£	s.	d.	£	s.	d.
Oct. 1	*To A/c rendered*				*14*	*10*	*9*
,, *15*	,, *Goods*	*3*	*7*	*8*			
,, *18*	,,	*2*	*4*	*1*			
,, *31*	,,	*5*	*8*	*7*			
Nov. 14	,,	*8*	*5*	*6*			
	1910.	*19*	*5*	*10*			
	Nov. 3. By Rets. £1 5 6						
	,, *5.* ,, *Credit 3 1*	*1*	*8*	*7*			
					17	*17*	*3*
				£	*32*	*8*	*0*

YOUR IMMEDIATE ATTENTION WILL OBLIGE

Statements of account may be sent in unsealed envelopes by half-penny post, but it is often the custom to seal the envelopes and send them by letter post.

Accounts Rendered Book. When the Ledger Clerk has completed the work of making out the statements he enters them in a book, termed the *Accounts Rendered Book*, thus providing a record of the amounts due from debtors. This book is ruled somewhat as follows :

ACCOUNTS RENDERED

NAME.	ADDRESS.	AMOUNT.			WHEN DUE.	OVERDUE.			FOL.	REMARKS.
		£	s.	d.		£	s.	d.		
Appleton Bros.	Leeds	52	10	9	15th July				13	
Ashton & Sons	Newcastle	14	10	5	,,	7	10	6	27	Wrote 1/7/10

As the accounts are paid they are ruled through in red or the word "paid" is written in the remarks column. In this way track is kept of all accounts rendered, and slow payers can be reminded of their obligations without wading through the whole of the ledgers. When the due date for payment has passed, the Ledger Clerk goes through the Accounts Rendered Book and circularises all outstanding debtors with a printed *First Reminder Form*, which is worded somewhat as follows :

> We beg to draw your attention to our account rendered to June 30 last amounting to £ , which is now overdue, and to request the favour of an early remittance.
>
> Yours faithfully, &c.
>
> Messrs. Shipley and Co.,
> Birmingham.

After an interval of about ten days a printed *Second Reminder* form worded somewhat stronger than the first reminder is sent to remaining debtors.

> Permit us to remind you that our account rendered to last, amounting to £ , to which we drew your attention on , is still outstanding, and to request an immediate settlement.
>
> Yours faithfully, &c.
>
> Messrs. Shipley and Co.,
> Birmingham.

After a further interval of about ten days a printed *Third Reminder* form is sent to all remaining debtors.

> We regret that our account rendered to
> last, amounting to £ , to which we drew
> your attention on the and the
> last has not yet been paid. Unless a settlement is
> made not later than next we regret we
> must take steps to enforce payment.

After a reasonable lapse of time beyond the date fixed for payment in the third reminder a letter is sent to all outstanding debtors :

> Being still without any reply from you with reference to our account rendered to last regarding which we have sent you three reminders, we are reluctantly compelled to say that we have now placed the account in other hands for collection.

" Other hands " may mean (1) that the account has been handed to the firm's solicitors, or (2) that it has been placed with one of the Mercantile Agencies, which, in addition to affording information regarding the status of firms, undertake the collection of long outstanding accounts. A solicitor, as a rule, charges all out-of-pocket expenses and fees for his services, whether he collects a particular debt or not, but the Mercantile Agencies charge, in addition to actual out-of-pocket expenses, a commission only on the actual sum recovered. The commission varies from 5 per cent. to 10 per cent.

The student is reminded that the procedure set forth above for the collection of accounts is not always regularly followed in commercial practice. Discretion must be used in this as in all things, and the course to be followed in any particular instance is largely determined by the circumstances of the case.

Giving Receipts. When accounts are paid by customers remitting through the post they go in the first place to the Cashier, who enters on the Dr. Side of his Cash Book (1) the name of the customer remitting, (2) the amount of the payment, (3) the discount, if any. Having entered these particulars he retains the remittance, marks on the statement the amount of the cheque and the discount, and hands it to a clerk to be receipted, directing him

in all cases where there is any discrepancy between the amount of the remittance plus the discount and the total of the statement, to consult the ledger clerk in whose ledger the account appears, and failing a reconciliation of the discrepancy to send a receipt *On Account.* Receipts are usually given by impressing upon the statement a rubber stamp, or upon small numbered adhesive forms printed in much the same style as the rubber stamp here illustrated, and bound up with counterfoils in book form. Both the counterfoil and the receipt are filled up, the receipt is detached from the counterfoil and stuck upon the account, and the counterfoil remains as a record of the amount received and other details of the settlement. The adhesive form of receipt is much used by travellers and collectors of accounts, who must give receipts in the offices where the money is paid. But they are also in general office use, and frequently one sees statements of account bearing a direction to the effect that *all receipts are given on printed adhesive forms and none other can be recognised as valid.* Very commonly, however, receipts are given upon 8vo note headings printed with a form of receipt, the details being filled in by the clerk signing it *e.g.*:

RECEIVED WITH THANKS.

By Cheque £14 10 9

By Discount 8 10

Total £14 19 7

Date 15th March 1910.

p. Charles Forder & Sons

Charles Adamson

1d. STAMP

We beg to acknowledge with thanks receipt of your remittance value *Fourteen* pounds *Ten* shillings *Nine* pence, being settlement of our account rendered to *31st December* last.

Yours faithfully,

p. CHARLES FORDER & CO.

1d. STAMP

Charles Adamson

Cheque £14 10 9 Discount £— 8 10

Stamping Receipts. All receipts for sums of £2 or over must bear a 1*d.* stamp, either embossed or adhesive (or two ½d. stamps), which must be obliterated at the time of giving the receipt, otherwise the receipt is not valid and is inadmissible as evidence of payment. A penalty of £10 attaches to a giver of an unstamped receipt for any sum exceeding £2. The obliteration is effected by the clerk who gives the receipt signing his name across the face of the stamp.

Receipt on account. When the remittance received is the full amount due a receipt is given as on p. 118. This is called a *clean receipt.* But when the amount received is less than the amount due as shown by the statement of account, the words "being settlement of" would be scored through and the words "on account of" substituted. The substitution of these words, or the use of them when receipts are wholly handwritten, is an indication that the amount received is not accepted as a settlement of the whole of the amount due, but only of a part of it. Such a receipt is called a *qualified receipt.* If the amount received is more than the amount due the words "being settlement of our account rendered to 31st December last" would be deleted, and the words "which amount we have duly passed to your credit" written in their place. Receipted Accounts may be returned to their owners in unsealed envelopes by half-penny post.

Checking Inward Accounts. As the accounts for goods bought come in, they go to the Cashier's Department to be checked. They may be checked from the Bought Ledger if the amounts of the invoices are separately enumerated there, or from the Bought Journal or the invoices themselves if the entries in the Bought Ledger are in monthly totals. When checking accounts care must be taken that only the net invoice amounts, *i.e.*, the gross amount less the trade discount (if any), appear on the statement, that the casting of the account is accurate, and that the full settlement discount, if any, is deducted. Should any invoices be found to be wrongly entered upon the statement, or items charged for which no invoices have been received, or items omitted to be charged, the account must be returned to the senders, the discrepancies pointed out, and a corrected statement asked for. Care must also be taken to see that the full term of credit agreed upon is allowed. It may happen that a quarterly account has been arranged for, and the account is sent in at the expiration of a month. In all cases where

payment of an account is requested before the due date some *quid pro quo* in the shape of an extra discount ($1\frac{1}{4}$ or $2\frac{1}{2}$ per cent.) for the term of the credit waived should be obtained. As soon as an account is checked, and its accuracy certified by the checking-clerk, who impresses it with a rubber stamp and fills in the blanks, it is handed to the cashier to await its turn for payment. Checked accounts are best kept in a Satchel File until such time as the date for payment comes round.

PASSED FOR PAYMENT

DATE .....

CERTIFIED BY

....

Payment of Accounts. Accounts are paid in one of twelve modes. viz., (1) *Coin*, (2) *Stamps*, (3) *Postal Orders* (*P.O.s*), or P.O. and stamps combined, (4) *Money Order* (*M.O.*) or *Post Office Order* (*P.O.O.*), another name for M.O., which may either be a Postal or a Telegraphic M.O. or P.O.O., (5) Bank Notes, (6) Cheques (Chq.), (7) Bill of Exchange (B/E), (8) Promissory Note (P/N). Other ways of remitting money are by (9) Banker's Drafts, (10) Bank Post Bills (B.P.B.), (11) India Council Bills, (12) Telegraphic Transfers (T/T). It is only proposed to deal here with modes 1 to 5. Modes 6 to 12 require fuller treatment, and will be explained hereafter.

Coin. Accounts are not usually paid in coin unless (1) the amounts are small and (2) they are paid in person, *i.e.* not remitted. Coin is never remitted by one business house to another, though it is often paid over in person. Remittances in coin are practically confined to private persons living in situations remote from a Post Office, who may urgently require a particular article from a trader at a distance which can only be obtained by cash payment, or who may desire to remit small sums of money to relatives or friends. As the student will see when he reads the section of P. O. Information (See Appendix) dealing with remittances in coin, no compensation is paid for the loss of a letter containing coin unless the special registered envelope is used—the lowest charge for which is $3\frac{1}{4}d.$—and a receipt obtained for the packet. P.O.s for 23/6, which with stamps added may be increased to 24/4, can be purchased for $2d.$ So that no one who wished to send 24/4 or anything less would pay $2\frac{1}{4}$ + Postage $1d.$ = $3\frac{1}{4}d.$ if he could equally easily send it for $2d.$ + $1d.$ = $3d.$ From 24/4 up to £5 it is cheaper to send coin (the cheque excepted) but no greater amount than £5 should be remitted in coin for that is the limit of compensation paid by the Post Office

in the event of loss. Coin is best sent by making slits in cards and inserting the coins in the slits.

Stamps. Most business firms receive a number of remittances in stamps. This particular form of remittance is not encouraged by the trading community, and we frequently find directions upon invoices, statements, etc., enjoining customers not to adopt this mode of payment for any amount exceeding 5/-. Some firms fix the limit at 2/6, while others will not accept such remittances if they exceed 1/-. Stamps received in this way are either utilised for the outgoing correspondence, or, if the aggregate amount is large, the stamps are done up into packets of £1 each and exchanged for cash at the Post Office—the Post Office charging a commission of 5 per cent. on the amount so exchanged. A 6*d.* P.O. can be obtained for 6½*d.*, so there is now less excuse than formerly for the employment of stamps as a means of remitting money. Stamps should never be remitted to a foreign country as they are practically inexchangeable in any except the country of origin.

Postal Orders (P.O.s). This is the most satisfactory mode of remitting any sum of money from 6*d.* to £1 16*s.* 10*d.* (= 21/-. + 15/-. + 10*d.* [stamps added]. Cost 2½*d.*) the cheque alone excepted. P.O.s can be purchased at any Post Office payable at any other P.O. P.O.s are also issued in many countries abroad, payable in Great Britain. When remitting a P.O., the sender should insert in the space provided for the purpose the name of the person to whom it is to be paid (*i.e.* the *payee*) and, if known, the name of the Post Office where it is to be paid (*i.e.* the *domicile* of the P.O.). He should also fill up the counterfoil and retain it, so that in the event of loss he may be in a position to furnish the Post Office authorities with the particulars they require in order to prosecute inquiries. Two parallel lines (termed *a crossing*) may be drawn across the face of the P.O. and then the Post Office will only pay the money provided the P.O. is presented for payment through a bank. A private person when cashing a P.O. is required to sign his or her name at the foot of the order, and the signature must be in accordance with the description of the payee inserted in the P.O. by the sender. If the sender has omitted to state the name of the payee the person cashing the P.O. must insert his or her name as well as sign at the foot of the P.O. Firms paying P.O.s into their bankers for collection do not sign them, neither when remitting P.O.s do they, as a rule, insert the payee's name, but this, when omitted,

must be done by the receiver. Usually the only precaution adopted by firms when remitting P.O.s is to cross them, adding the name of the payee and their bankers between the lines of the crossing. A P.O. is not negotiable, and when once it has been paid, and to whomsoever paid, the Post Office authorities are under no further liability. The student is referred to Post Office Information for the regulations governing the issue and payment of P.O.s and the rates of poundage, &c.

Money Orders (M.O.s) or **Post Office Orders** (P.O.O.s). Money Orders, or, as they are called, Post Office Orders, are less frequently used by business firms than by the public. In cases where (1) a cheque is not acceptable (a cheque is merely a written order to a banker to pay a stated sum to the person named in the cheque and is, of course, worthless unless the banker possesses sufficient funds belonging to the giver of the cheque wherewith to pay it), or (2) where a firm is remitting money, for immediate personal use, to travellers in the provinces for expenses, salary or on account of commission, or (3) where it is necessary to remit a moderate sum abroad too small for the purchase of a banker's draft, the M.O. can be and is usefully employed. The remittance of money in this mode can be expedited in conjunction with the telegraph. M.O.s, like P.O.s, may be crossed, when payment will only be made through a bank. A form of Inland M.O. is printed on p. 123 and for the rules and regulations governing the issue and payment of M.O.s the student is referred to Post Office information, where they are set forth in detail. (See Appendix.)

Bank Notes. There are some thirty-eight banks in Great Britain and Ireland which issue Bank Notes, but, practically speaking, the only notes issued in the British Isles in international use are the notes of the Bank of England, which on July 28, 1909 existed to the extent of £56,176,040. The total note issues of the Scotch, Irish and Provincial Banks, fixed by Act of Parliament, do not aggregate a fifth of this amount, and are mainly restricted to local use. Bank of England Notes are frequently remitted to British firms by traders in European countries, Egypt, and other places frequented by British travellers and holiday-makers, who use them for the payment of hotel bills, &c. (cheques not being acceptable), and thus they find their way back to this country in whole or part payment of exported British goods. In this country Bank Notes are more commonly passed from hand to hand than remitted by post. At country

No. 3.—D.

INLAND
MONEY ORDER REQUIRED

No. of Order.		£	s.	d.
	FOR	4	5	6

Office Stamp.

Payable at *G.P.O Edinburgh, N.B.*

[Payment will be subject to the possession by the Postmaster of sufficient funds.]

to	*	Christian Name (or Initial).	Surname.
		James	*Carson*

* If the Payee of a Telegraph Money Order is a woman, the prefix "Mrs." or "Miss," as the case may be, should be given for inclusion in the Telegram of Advice.

Sent by *Arthur Rowson and Sons*

Address *27 Leadenhall Street, E.C.*

† **IMPORTANT.**—The sender's name and address are required for official purposes. The person presenting the Order for payment must be prepared to state the name of the sender.

The Space below FOR TELEGRAPH ORDERS ONLY.

If the Order is to be telegraphed, write the words "By Telegraph" across the Form, and fill in the particulars asked for below.

1. Address at which the Telegraph Order is to be delivered. If to be called for at a Post Office write the word "Postoffice." [In the latter case the sender should inform the payee where he must apply for the Order.]

2. State here whether the Telegraph Money Order is to be crossed for payment through a bank.

‡ PRIVATE MESSAGE.

3. A Private Message to the payee (not exeeeding twelve words) may be added to the Telegram of advice, for delivery with the Order.

Write Private Message here.

‡ Sender's name (or name and address), to be communicated to the payee, must form part of Private Message.

markets and fairs, particularly in Scotland and Ireland, notes are largely used for the settlement of deals. The device is sometimes adopted when remitting bank notes of cutting the notes lengthwise into halves. One set of halves is sent by one post and the other by a subsequent post. The receiver of the halves then joins them with gummed paper and pays them into his bank in the ordinary way. The safest way to send bank notes is to use the official registered envelopes, and to insure the packet for its full value. When remitting bank notes the dates, numbers, and amounts should always be recorded, so that in case of loss the payment of the notes can be stopped and their subsequent movements traced.

Remittances. Money, in whatever form, sent through the post is termed a *remittance*. Some London firms remit in payment of all their accounts, but others only remit provincial accounts and have stated *Pay Days* for the payment of town accounts. Representatives of the various Town creditors call on these pay days, and the amounts due are paid to them in person upon presentment of their firm's card, and correct particulars of the account rendered being given. Remittances are usually entered in a remittance book, ruled somewhat as follows:

REMITTANCE BOOK

DATE.	NAME AND ADDRESS.	CHEQUES. £	s.	d.	P. ORDERS. £	s.	d.	NOS.	STAMPS.
1910									
12th July	Bonsor and Finch, Walsall	18	10	9					
	Strong, Dunton & Co., L'pool	165	7	6					
	F. Dunning, Oldham					12	10	$\frac{1}{D}620690$	
	Geddes & Co., Edinburgh								10

As the receipts come in the entries are ticked off or ruled through in red. If a receipt is unduly delayed, the firm is written to. In this way timely notice is obtained of any remittances that have gone astray, and inquiry can be made of the Post Office close upon the happening of the loss. Care should be taken that receipts for the payment of money are always promptly obtained, as where no receipt can be produced no payment can be admitted unless other proof is forthcoming.

Cheque with Receipt Form attached.* Some firms, and the practice is growing, have printed on their cheques either at the foot

* I have been informed by an influential authority that this practice is looked upon with disfavour by most of the leading banks.

or on the back of the cheque a form of receipt which must be signed by the person in whose favour the cheque is drawn. All paid cheques are in due course returned to the drawer so that the returned cheque itself is a receipt, and discloses the full history of the payment. Such a cheque with receipt form at the foot is here illustrated:

No. $\frac{T}{1}$ 1990786. LONDON, *15th March* 1910.

THE UNION OF LONDON & SMITH'S BANK, LTD.

Pay *Messrs. Robert Smith & Co.* or Order
Ninety Pounds Ten Shillings and Sevenpence
subject to the receipt at foot hereof being duly signed.
£90 10 7 *James Gardner & Sons.*

1*d.*

RECEIPT.

Received the above-mentioned sum of *Ninety Pounds Ten Shillings and Sevenpence.*
Dated this *16th March*, 1910.

Robert Smith & Co.
1D. STAMP

LONDON, *15th March* 1910.
Messrs. Robert Smith & Co. 112 NEWGATE STREET, E.C.
57 Briggate, Leeds.

DEAR SIRS,

Enclosed we beg to hand you *cheque* value *Ninety Pounds Ten Shillings and Sevenpence* in settlement of your Account rendered to *31st December* last. A prompt receipt will oblige.*

Yours faithfully,
JAMES GARDNER & CO.

	£	s.	d.	£	s.	d.
Account rendered				100	5	7
Returns	—	—	—			
Allowances	—	—	—			
Carried forward o/s	5	7	6			
Discount	4	7	6	9	15	0
				£90	10	7

* In the case of a cheque these words would be deleted, as James Gardner & Co's receipt is attached to the cheque.

Test Paper VII

1. Define Petty Cash and explain the Imprest System of keeping the Petty Cash book.

2. Is the Petty Cash book invariably used for recording business expenses pure and simple? If not, what other payments are recorded, and how are the entries for such payments subsequently dealt with?

3. What procedure is adopted when opening new accounts, (*a*) when references are given, (*b*) when references are not given?

4. What are Mercantile Gazettes and what kind of information do they give?

5. Define Statement of Account. How would you begin a Statement on April 1, if (*a*) the account to the previous December 31 had not been paid, (*b*) there is a balance of £5 7*s.* 6*d.* still due on the December statement?

6. Write the following abbreviations in full: a/c, P.O., P.O.O., M.O., B.P.B., B/E, P.N., Chq., 5% 1 mo., Dis., T/T.; Define P.O., M.O., Dis.

7. Messrs. Silcock Bros. have sent you an order for £10 worth of goods and give Messrs. Waterhouse and Co.'s name as a reference. Write to the latter taking up the reference.

8. Waterhouse's reference is none too favourable. How would you get further information respecting Silcock Bros.? Suppose this additional knowledge gave you no confidence in Silcock Bros. what then would you do?

9. What functions do Mercantile Agencies serve? On what terms are their services obtained?

10. Write a letter to Stevens and Son, a new firm, who have sent you an order but given no references.

11. How often are accounts rendered? What is an Accounts Rendered Book and what purposes does it serve?

12. What are first, second, and third Reminders?

13. Edward Pears and Co., Dewsbury, have sold goods to Mr. A. Birch of Nottingham as follows: 10th Jan., £3 7*s.* 6*d.*; 18th Jan., £5 8*s.* 10*d.*; 14th Feb., £10 11*s.* 2*d.*; 16th March, £8 3*s.* 7*d.* On the 24th Jan. Birch returned goods value £2 1*s.* 8*d.* and on the 18th March goods value £3 2*s.* 7*d.* Make out an account from Pears and Co. to Birch and deduct 7½% for payment within fifteen days. Receipt the account, assuming it to have been paid by cheque.

14. Suppose Mr. Birch carried forward an amount of £3 for "goods on hand." Show the form of receipt you would give in that case.

15. What is a receipt "on account"? When is such a receipt given?

16. Do all receipts require stamping? How may receipts be sent through the post?

17. What precautions must be taken when checking inward accounts?

18. Suppose you had arranged for three months' credit and your creditor asked for payment a week after date of the invoice. What in such a case would you be entitled to expect for waiving the full term of credit?

19. What is a remittance? Name five different modes in which a remittance can be made. Name seven other ways in which money is transferred from one trader to another.

20. What is a Remittance Book and what purpose does it serve?

21. Define (*a*) M.O., (*b*) P.O. What is the poundage on a M.O. for

£5 7*s.* 6*d.* and on one for 18*s.*? What would be the poundage if you bought P.O.s to the value of 33*s.* How could you most cheaply remit the sum of 24*s.* 10*d.* by P.O.?

22. What is the difference between a M.O. and a P.O.?

23. What precautions should you adopt (*a*) when remitting P.O.s; (*b*) when remitting a M.O.?

24. Can you stop payment of a M.O. payable in the United Kingdom? If so, what is the procedure?

25. Suppose a M.O. were lost, could the money paid for it be recovered? If so, what is the procedure?

26. What is a Telegraphic M.O., and what is the additional charge for it over and above a postal M.O.?

27. What advantage is secured by crossing (*a*) a M.O.; (*b*) a P.O.? Explain what a crossing is.

28. What is the charge for Foreign and Colonial M.O.s?

29. To what value and what number may stamps be affixed to P.O.s? Is the procedure the same for cashing a P.O. (*a*) at a post office; (*b*) through a banker? If not, in what particulars does it differ?

30. How is coin most safely transmitted by post? How is safety secured when remitting bank notes by post?

31. Ford and Co. have a quarterly a/c with James Hennessy. Their a/c appears in Hennessy's ledger as follows: 1910, Jan.–March a/c, £6 1*s.* 10*d.* outstanding; April to June a/c, £8 7*s.* 6*d.* also outstanding; July 12 goods £3 7*s.* 6*d.*; July 18 goods £2 1*s.* 10*d.*; Sept. 9 goods £2 5*s.* 8*d.* On Sept. 11 Ford and Co. returned goods value £2 5*s.* 8*d.* Make out Ford and Co.'s a/c as it would be rendered by Hennessy's clerk on October 1, the terms arranged for the a/c being qtly. 5 % 1 mo. Enclose with the a/c a letter such as you think the circumstances require—show the letter. Ford and Co. pay the balance due by cheque but deduct the full settlement discount from the whole amount. Show the form of receipt you would give for their cheque and the letter with which you would accompany the receipt.

32. Assume that you are a trader, Arthur Walsh, of 15 Houndsditch, London, and that you have extensive dealings with Robert Buchanan and Co., 56 Renfrew Street, Glasgow, who run a yearly account with you. Turn to the invoices given on pp. 83–97 of this book and let the dates and totals of them represent your sales to Buchanan and Co. Rule a form of statement and make out Buchanan's account. Deduct 3½% prompt cash 15 days.

33. Show how you would enter the following in a Petty Cash Book: 1906, Jan. 2, Carriage, Parcel to Newcastle, 1*s.* 3*d.*; Postage stamps, 15*s.*; Gum, 1*s.* 3*d.*; String 2*s.*; Inkpot, 1*s.* 9*d.* Jan. 3, Teas, 4*s.*; Newspapers, 6*d.* Jan. 4, Foolscap, 3*s.*; Wax, 6*d.*; Blue lead, 10*d.* Jan. 5, Brown paper, 14*s.* 8*d.*; Packing twine, 10*s.* 3*d.*; Jan. 6, Truck repairs, 3*s.* 6*d.*; Delivery book, 2*s.*; Rubber stamp, 2*s.* 6*d.* Extend the items into the money columns, sum them and show balance remaining from the sum received, £10. (*Lanc. and Ches. Union*, 1906.)

CHAPTER VIII

TRADING HOUSES, MERCANTILE AGENTS AND MARKETS

Trade and the Sale of Goods

Barter and Sale. When goods are directly exchanged for other goods, as in uncivilised countries at the present day, the transaction is termed *Barter*. But when goods are exchanged for money, or for instruments of credit representing money (Cheques, Bills of Exchange, Promissory Notes, &c.), as is now general in civilised countries, the transaction is termed *Sale*. The receiver of goods is termed the *Buyer*, and the receiver of money or its equivalent, the *Seller*.

Trade, Commerce and Industry. This interchange of goods for money and money for goods constantly carried on in a country is termed its *Trade*, the process of manufacturing the goods traded in, its *Industries*, and the mercantile dealings with the rest of the world, its *Commerce*. Trade may be *local*, as *e.g.* the trade between the inhabitants of a village, or even between two persons in a village. It may be *particular*, *e.g.* the *Coal Trade*, the *Iron and Steel Trades*. The term *Industry* has a wider significance. It means labour organised for a particular end or purpose, *e.g.* the Agricultural Industry, the Iron and Steel Industry; and the term *Commerce* has a wider significance still. It means the trade of a country considered in its national and international aspects.

Contract for the Sale of Goods. The sale of goods is governed by contract. In general, "a contract is an agreement enforceable at law." A contract for the sale of goods is one by which the seller transfers or agrees to transfer the ownership of goods to the buyer in consideration of a payment in money, termed the *Price*. It should be noted that in a contract of sale of goods the term *price*

is synonymous with *value*, *i.e.* the value of the goods is the agreed price.

An *agreement* is come to when two or more parties declare their consent as to anything which one or more of them is to do or abstain from doing. The essential part of an agreement is *consent*, which is generally declared by the acceptance of an offer or proposal. When A accepts a proposal made by B, the acceptance amounts to a promise, and B's proposal becomes a promise on B's part by A's acceptance of it. Thus, if A says I will sell you "20 qrs. of this wheat for 3*s*. a qr.," and B replies "I will buy 20 qrs. at 3*s*. a qr," A makes an offer which B accepts, and the offer and the acceptance become promises—A's to sell 20 qrs. at 3*s*. a qr., and B's to buy 20 qrs. at 3*s*. a qr.

Agreement to Sell. When under a contract the goods are immediately transferred from the seller to the buyer the contract is termed a *Sale*, but when the transfer is not to take place till some future time, or till some condition has been fulfilled, the contract is called an *Agreement to Sell*. And this agreement to sell becomes a sale, when the time of transfer has arrived, or when the condition has been fulfilled. The word *Goods* means all tangible movable property except money. *Shares* are not goods.

Specific Goods and Future Goods.—If the goods are identified and agreed upon when the contract is made, they are termed *Specific Goods*, but if the seller has to make or procure them they are termed, *Future Goods*.

Thus, if a spice merchant offers me twelve bags Bassein rice for £16, on the usual terms of account, and I order him to send me the rice, that is a contract for the sale of *specific* goods. But if I arrange with a cycle manufacturer to build to my specification six bicycles for £14 each, and to deliver them to me on or before March 15 next, that is an agreement to sell *future* goods, which becomes a sale when the bicycles have been built true to my specification within the prescribed time.

Contracts are not always written. It must not be supposed that the word contract always implies a written document. A contract may also be made (1) verbally, (2) partly in writing and partly by word of mouth, or (3) be implied from the conduct of the parties. But if the contract is for goods to the value of £10 or over it is not enforceable unless:—

(1) The buyer accepts and receives the goods or part of them.
(2) The buyer gives anything to the seller to bind the bargain, or makes any payment in respect of the purchase.
(3) A memorandum of the contract is signed by the person against whom the contract is to be enforced.

Therefore where either (1) or (2) can be proved it is not necessary to produce a written contract.

"*Accepts*" and "*Receives.*" These words are used in a special sense and must be defined. If a buyer does anything in relation to the goods which he would not do unless he recognised the fact that he had made a contract to buy them, then he has "accepted" the goods. By "receipt" is meant (*a*) delivery to a carrier for transport to the buyer, (*b*) delivery of the goods or the *Documents of Title* (*see* below) to the goods to the buyer, (*c*) when by agreement the seller has become the custodian or *Bailee** of the goods for the buyer.

Illustration of (1) *above.* If I were to agree verbally with a coffee dealer to buy five bags of coffee for £12, and he sent the coffee to a carrier for delivery to me, and I subsequently repudiated the agreement; then, if the dealer could prove that I had endeavoured to re-sell the coffee to somebody else, it would not be necessary for him to prove a written contract in order to enforce his claim against me, for it is clear I should not have tried to re-sell the coffee, if I did not recognise I had a right to do so. I should have "accepted" the coffee. But the dealer would also have to prove that I had "received" the coffee. This he would do by producing the carrier's receipt for the five bags. The carrier is my agent not the seller's, and delivery to my agent is delivery to me.

Illustration of (2) *above.* If in the illustration above, the dealer, having doubts of my integrity, had said "I can only sell you the coffee for cash," and I had replied, "Oh, very well, I'm rather short of cash, will you accept £5 on account, or will you take my gold watch and hold it till the amount is paid?" and the dealer had agreed to do either of these things, then there would be no need for him to produce any writing signed by me in order to enforce his claim.

Illustration of (3) *above.* If at the time I had agreed to buy the coffee, the dealer had written upon one of his note-headings, "Sold this day, June 24, 1915, to John King Grebby five bags Costa Rica for £12," and I had signed the memorandum, then upon that signed memorandum the dealer could enforce the contract. It is not necessary that both parties should sign the memorandum. Only in any action for breach of contract the plaintiff must produce a memorandum signed by the defendant or his agent.

Documents of Title. In commerce certain documents are used as proof of the possession of goods and of the right to dispose of them. They stand in place of the goods, which may be sold simply by transferring to a buyer, for value, the documents of title. The transference of documents of title may be by delivery alone or by endorsement and delivery. Documents of title to some extent, partake of the nature of Negotiable Instruments, see p. 303. A Dock-Warrant, Warehouse Keeper's certificate, and a Bill of Lading are documents of title.

* Any person to whom goods are entrusted by the owner for any purpose is called a *bailee*. Thus a factor, a warehouseman, a borrower, a hirer, a carrier, are bailees.

Necessity for Written Contracts. Notwithstanding that written contracts are not always necessary, *it is always advisable that every agreement for the sale of goods should be in writing*. The law provides that in any agreement of the kind there must be (1) a sufficient description of the buyer and also of the seller; and (2) a sufficient description of the goods and the price. An agreement for the sale of goods may be contained in one document, or, as is frequent in business practice, in several documents or letters. In the latter case the documents or letters must be connected, *i.e.* connected by references so that the whole forms one contract. The student will now appreciate in full the advisability of filing inward and outward letters together, and of beginning letters by explicit references to those to which they are replies.

Conditions and Warranties. Contracts for the sale of goods are frequently governed by (1) Conditions; (2) Warranties.

A Condition is a material term or provision, the failure to observe which by one party entitles the other to treat the contract as repudiated, and usually gives him a right of action for breach of contract against the party in fault.

If a wine merchant contracts to sell French brandy it is a condition that the brandy shall be French. If a hosier undertakes to sell *Irish linen* shirts it is a condition that they shall be *Irish linen*. If a metal merchant contracts to supply five tons English tin to be aboard the S.S. *Aida* not later than June 5 it is a condition that the tin shall be English and shipped on or before that date. In all these instances in the event of default, the buyer would probably have the right to reject the goods and bring an action for breach of contract. Further, if a felt manufacturer contracts to sell 250 yds. superfine felting at 1*s.* 8*d.* per yd., payable three months after delivery, it is a condition that the buyer shall have the benefit of the three months' credit and the seller cannot demand payment until the three months have expired.

A Warranty is an agreement with reference to the goods sold, which is not part of the main purpose of the contract of sale, but collateral to it. A breach of warranty does not give a buyer the right to reject the goods but a right to damages.

If a man sold a horse to another for £120 and warranted the horse to be sound and free from vice, and the buyer afterwards found the horse was lame or given to savaging his groom, then though the buyer could not return the horse to the seller and recover its price, he could sell the horse and recover the difference between the price obtained and the price given for it.

Condition or Warranty? It depends upon the interpretation of the contract whether a particular stipulation is a warranty or a

condition, *i.e.* whether, in case of breach, a buyer has the right to reject the goods and treat the contract as repudiated, or whether he has only a right of action for damages. The buyer, in the case of the non-fulfilment of a condition by the seller, can assume that the seller has repudiated the contract, but he can also, if he likes, waive the condition or treat it as a breach of warranty. But if the buyer has accepted the goods, or if the ownership of the goods has passed to him, he can only treat a breach of condition as a breach of warranty, unless it is part of the contract that he may return or reject the goods.

Implied Conditions and Warranties. Conditions or warranties are said to be *implied* when they are not expressed in words, but tacitly understood between the parties to a contract.

Thus, there is usually an implied condition (1) that the seller has the right to sell; (2) that no one can interfere with the buyer's quiet possession of the goods; (3) that goods sold by description shall correspond with the description. Thus a contract to sell by description a brass bedstead would not be fulfilled by delivering an iron bedstead; (4) if the sale be by "sample" as well as by "description" the goods must correspond with both sample and description. Thus a seller who contracts to sell "brandy equal in quality to sample" and delivers spirit equal in quality to the sample but not in fact "brandy" commits a breach of contract.

Caveat Emptor. Most frequently warranties have reference to the *quality* of the goods sold. Broadly speaking, a buyer must exercise his own judgment as to the quality of the goods he buys and their fitness for the purpose he has in view, for generally there is no warranty as to quality or fitness, and the maxim *caveat emptor* (let every buyer look after himself) applies. If, therefore, a seller keeps silence and allows his buyer to suppose that he is buying something of a particular quality whereas he is not, that is the buyer's look out. But there are exceptions to this general rule.

(1) Where a buyer makes known to a seller the particular purpose for which he requires the goods, so as to show that he relies on the seller's skill and judgment, and the goods are of a kind which it is the seller's business to supply (he need not also be the manufacturer of the goods), there is an implied condition that the goods shall be reasonably fit for the purpose. But if the goods are sold under a patent or trade mark there is no implied condition as to fitness for any purpose but simply that the trade mark or description is genuine and not a forgery. (2) Where goods are sold by *description* by a dealer in such goods, there is an implied condition that the goods shall be of *good merchantable*

quality (G.M.Q.), *i.e.* that they can be re-sold under the description. (3) Where goods are sold by *sample* the following conditions are implied : (*a*) that the bulk shall correspond with the sample ; (*b*) that the buyer shall have a reasonable opportunity of comparing the sample with the bulk ; (*c*) that the goods shall not have any defect making them unmerchantable which is not apparent on an ordinarily reasonable examination of the sample.

Terms of Contract. The student has seen that a contract of sale of goods may embody any terms mutually agreed between the parties, and that these terms usually have relation to five things—viz., (1) *Description ;* (2) *Quality ;* (3) *Price ;* (4) *Payment ;* (5) *Delivery.*

Description. Particular qualities of commodities have particular descriptions. Every one knows the excellence of—*e.g.,* an Irish ham, French brandy, English cheddar, Harris Tweed, Australian Burgundy. In trade, commodities so described mean special and easily identified things, and a contract for sale of such things can only be fulfilled by delivery of things answering the description. Sale by description is usually joined with sale by sample. An order, *e.g* , for so many yards of Harris Tweed would be too vague, and in practice would read so many yards Harris Tweed No. 11639, the number indicating a particular pattern of Harris Tweed.

Quality. This may be indicated either by (1) *Sample*, or (2) *Type.*

Sample. A sample is a small quantity drawn from bulk and taken as representative of the whole. Sale is usually effected by sample in the case of textile manufactures, produce, etc., and the student will see later (*see* p. 158), that dealers in dried fruit do not inspect the bulk lying at the bonded warehouse, but bid for the lots on marks, and after inspection of the samples in the hands of the brokers. Similarly, retail dealers in dried fruits buy on samples, which are either submitted to them by travellers representing the wholesale dealer, or exposed to view at the dealer's offices. In the case of wool, however, inspection of the bulk lying on the wool floors at the warehouses precedes the bidding, so that the student must not assume that produce is always sold by sample.

Type. Raw produce is frequently sold on type, subject to crop. The type is a sample of the produce taken from last year's, or a previous year's growth. In some cases the type worked on is six or more years old. Taking tea as an example, the appearance of say, Java Flowery Pekoe is everything, the liquor counts for little. Hence

when buying this variety on type the appearance of the leaf in the bulk must equal the appearance of the leaf in the type. In the case of ordinary Indian Pekoe Souchong the appearance of the leaf *may* not be of so much account as the liquor, consequently when buying this kind of tea on type, the bulk must give as good liquor as the type, though the appearance of the leaf may vary considerably from the type. Thus when buying or selling on type, the essential characteristics of the bulk must vary little from the essential characteristics of the type. In the case of considerable variations the matter is submitted to arbitration *in London*. Every contract of sale by type implies great confidence between the contracting parties, and always contains an arbitration clause. U.S. and Canadian wheat are also sold on type. Definite units of quantity and definite types or grades of quality are fixed, *e.g.*, "100 lbs. Northern Spring Wheat Duluth Certificate." Reduced to this form, wheat is made the subject of speculation, and sold and re-sold for future delivery like stocks and shares. Cotton, tobacco, and other kinds of raw produce are also sold on type.

Price. The price is the sum agreed to be paid for goods per unit of number, volume, weight or measurement. But there are other charges subsidiary to the actual price, stipulation as to which frequently appears in contracts. Buyer and seller may—*e.g.*, agree upon a *Loco* price, which, as already explained, is a price for the goods as they stand in the seller's warehouse, or wherever they may lie at the time of sale. A price *on rail* signifies that the price includes the cost of cartage to the railway station and of getting the goods upon the trucks. An *At Station* price is a price which includes free delivery to the nearest railway station. An *In Bond* price is a price for the goods excluding the amount of customs duty payable to release them from the bonded warehouse where they are stored. A *Duty Paid* price includes the customs duty payable. The student will see (p. 148) that a buyer of dried fruit may pay the duty direct to the customs authorities when the amount of the duty is deducted from the invoice, and an "In bond" D/O is handed to him by the broker, or pay for his purchases at the duty paid price, and receive a "Duty Free" D/O. Other kinds of prices —*e.g*, F.O.B., C. & F., C.I.F., etc.—are explained in the Export section, see p. 194 *et sqq*.

Payment. This subject has already been dealt with, see p. 82, where the usual terms are given. Others, *e.g. Cash against Docu-*

ments, *Documents against Acceptance*, *Documents against Payment*, are explained in the Export section, see p. 201.

Delivery. Unless otherwise agreed, delivery and payment are concurrent conditions. Generally, however, there is an expressed or implied condition respecting delivery. Stipulations respecting delivery may have reference to (1) *Place*, (2) *Time*, (3) *Mode*.

Place and *Time*. Unless otherwise agreed, the place of delivery is the seller's place of business or house. If, at the time goods are sold, they are in the possession of a third person, there is no delivery to the buyer till the third person acknowledges that he holds them for the buyer. When goods are to be delivered immediately, the sale is for *Prompt Delivery*. In the wool and other trades, sales are effected for payment and delivery on a particular date, termed the *Prompt Day*. Delivery may be agreed to be made *ex Ship* or *ex Quay*, *i.e.* on the jetty or quay where the goods are unloaded, or *Free Overside*, *i.e.* into a barge or hulk, provided by the buyer for their reception and removal. Goods may also be sold *to arrive*, *i.e.* subject to the safe arrival of the carrying vessel, or for *Forward Delivery*, *i.e.* you contract to buy a certain quantity of goods, delivery of which is to be made either in instalments spread over a period of time, or in one lot at some future date. On the general question of time, where no time for delivery is stipulated, delivery must be made within a reasonable time. The word "reasonable" in this connection means reasonable having regard to the circumstances of the case, *e.g.* a delivery of coal at 2 A.M. would be unreasonable. The same remark applies to the buyer's demand for delivery.

(3) *Mode*. The seller must deliver the exact quantity he has agreed to sell. If he deliver less the buyer may reject the goods. If he deliver more, the buyer may accept or reject the whole, or accept the agreed quantity and reject the rest; but whatever quantity he accepts it must be paid for at the agreed price. A buyer need not accept delivery by instalments unless that be agreed. Delivery to a carrier, whether chosen by the buyer or not is delivery to the buyer. A carrier does not *accept* the goods for the buyer, he merely *receives* them for the buyer. If the buyer selects a particular carrier or route, that carrier or route must be used, and if he does neither, the seller must see that he makes a reasonable and proper contract with a carrier on behalf of the buyer. If the goods are to be forwarded by sea, the seller ought to advise

despatch of the goods and furnish full particulars to the buyer so that the latter may insure the goods, or he should insure them himself, otherwise the goods are at seller's risk during transit. If a seller deliver goods at his own risk his liability is limited to ordinary injury during transit, which does not include loss through deterioration necessarily caused by removal.

Acceptance. A buyer is entitled to reasonable opportunity of examining the goods on delivery to see whether they are in accordance with the contract, and he is not considered to have accepted the goods till he has had that opportunity. The word *acceptance* is here used differently from the way it was used on p. 129. There it had a special meaning confined to cases where the fact of the contract is repudiated, here it means *willingness to receive in performance of the contract.* If the goods are not in accordance with the contract, and the buyer is right in rejecting them he need only inform the seller that he has rejected them, he need not also return them. But if he wrongfully reject the goods he is liable, after the seller has requested him to receive them, for any loss caused by the rejection, and to pay for their care and safe custody. If a buyer deals with goods in a manner inconsistent with the ownership of the seller, or keep them beyond a reasonable time he is considered to have accepted them.

Transfer of Ownership. When goods are sold they are, as a general rule, at the risk of the owner, though if the seller act as bailee of the goods for the buyer he is responsible for any injury done to them through negligence. It is therefore important to know exactly when the buyer becomes the owner.

(1) In the case of *specific* goods ready for immediate delivery, the buyer becomes the owner as soon as the contract is made, unless it is otherwise arranged. The fact that either delivery or payment is postponed is immaterial.

(2) In the case of specific goods to which the seller has to do something to make them ready for delivery the ownership does not pass to the buyer till what is required has been done, and the buyer has been advised of the fact.

(3) Specific goods ready for delivery, but which like wheat, whisky, &c., have to be weighed, tested, or measured before the prices can be fixed, do not pass to the buyer till what is necessary has been done, and the buyer has received notice of the fact.

(4) Goods sent *On Sale or Return* (O S), or on approval (*on appro.*), do not become the property of the receiver till he signify his approval or acceptance of the goods, or unless he keep them beyond the time fixed for their return, or beyond a reasonable time if no time is fixed (reasonable time is customary time having regard to trade usage). In commercial practice, however, goods sent On Sale or Return are usually

treated like goods sent *On Consignment*, and are held at the seller's risk—account sales being submitted and remittances made at regular intervals of a month, three months, or whatever is arranged.

(5) In the case of *future* goods sold by description the buyer becomes the owner when goods answering the description have been appropriated to the contract by either party with the consent of the other. When, in pursuance of the contract, the seller delivers goods to a carrier for transport to the buyer, there is appropriation by the seller unless he reserves the right of disposal, *i.e.* unless the contract provides that the buyer must, before the ownership of the goods passes to him, observe some condition, *e.g.*, give a Bill of Exchange for the price of the goods.

Transfer of Title to Goods. A buyer does not generally acquire a good title to the goods, *i.e.* become the real owner, if the seller was not the real owner, or if in selling them the seller was not acting under the owner's authority. The owner of goods wrongfully sold can compel the buyer to give them up without compensation, whether the buyer gave value for them or not. If, however, the buyer acted in good faith and bought the goods in *Market Overt, i.e.* in a regular and authorised market, held on fixed days in a certain place (the term comprises all shops in the City of London when any particular shop sells goods usually sold there *in the ordinary course of business*), he has a good title to the goods; but if the goods were the proceeds of a robbery, and the thief were subsequently caught and convicted, the real owner of the goods could call upon the purchaser of them to hand him back possession of the goods.

If a seller retain possession of goods the ownership of which has passed to the buyer, and re-sell them to a third party without disclosing to such third party the fact of the previous sale, the second buyer, provided he acts in good faith, acquires a good title to the goods. A buyer should therefore get possession of the goods as soon as possible after he becomes the owner of them. Similarly, if a buyer, with consent of the seller, obtain possession of the goods, and, notwithstanding the fact that under the agreement the ownership of the goods has not yet passed to him, resell them to an innocent second buyer without giving notice of the circumstances, the second buyer obtains a good title.

Both buyer and seller possess rights which may be vindicated at law, but it is not proposed to deal with these more than to explain the right of *Lien* and one peculiar right of the seller of goods termed the right of *Stoppage in Transitu*.

Lien. As a general rule, if a seller has not been paid for goods sold, and he still retain possession of the goods, he has a right to retain them till he is paid. This right is termed the right of lien, and the right exists even though the ownership of the goods may have passed to the buyer. Where goods are sold on credit there is no right of lien till the agreed time of credit has expired. In the case of credit sales the seller almost invariably parts with possession of the goods, so that no right of lien can be exercised. In the case of a buyer's insolvency the seller has the right of lien

even though he hold the goods as bailee or agent of the buyer. As soon as a seller hands over goods to a carrier for delivery to the buyer, or as soon as the buyer or any agent of the buyer lawfully obtains possession of the goods the right of lien is gone.

Stoppage in Transitu. If a seller who has not been paid has handed goods to a carrier for delivery to the buyer, and the seller learns, whilst the goods are in transit, that the buyer has become insolvent, the seller has the right to call upon the carrier to stop delivery to the buyer, and return the goods to him; or if he know the whereabouts of the goods he may seize them. If he give notice to the carrier he must do so in such circumstances as will permit the carrier to locate the goods, and give him the time necessary to instruct his agents to act. If, however, the seller has handed the Documents of Title to the goods to the buyer, and the buyer has transferred them to a third party who has taken them in good faith and for value, the seller's right of stoppage in transitu is gone; but as a rule the right is not affected by any resale by the buyer without the seller's consent. Transit begins the moment the goods are handed to a carrier for delivery to the buyer, and ends when they have come into the hands of the buyer or any agent who takes delivery on his behalf.

General Remarks. While it is important that the student should be acquainted with the chief principles underlying the law relating to the sale of goods, he is not to suppose that the making of contracts is a perilous business that can only safely be done under the watchful eye of a solicitor. Ordinary prudence and knowledge are, generally speaking, all that are necessary. He should also remember that things are done in actual commercial practice for which legal sanction cannot always be found. The student has noticed that some provisions of the law relating to the sale of goods hinge upon *trade usage*, called in law *the law merchant*, and trade usage is not a hard and fast thing, but subject to modification and growth. When one reflects upon the enormous number of contracts for the sale of goods that are made, the legal actions arising from breach of contract appear very small. Every wise trader endeavours to keep clear of court actions, and in most cases where disputes arise out of contracts the differences are settled by compromise. Even to win an action means expense, and there is usually an aftermath of bad feeling on the part of the loser. Thus it is that the principle of *arbitration* steadily grows in favour; and in many, or one might say

most, contracts of importance nowadays a clause is inserted providing for arbitration in case of dispute.

Arbitration may be defined as a method by which, in the event of two or more parties disagreeing, the points in dispute are submitted to the arbitrament of a third independent party called the *Arbitrator*, by whose judgment the contending parties agree to be bound. The decision of the *Arbitrator* is called the *Award*.

It is instructive to reflect that on the London Stock Exchange, where the dealings involve a turnover of hundreds of millions of pounds annually, legal actions between members are unknown, it being the rule that disputes are not to be decided by legal process, but are to be referred to and settled by the Committee of the Stock Exchange, or "House," as it is familiarly called. A further instructive commentary is to be found in the absence of default by buyers on the London Wool Exchange referred to in chapter IX.

Trading Houses, Mercantile Agents, and Markets

Trading houses may roughly be divided into two main classes: (1) *Manufacturing Houses*, (2) *Distributing Houses*. Distributing Houses may be subdivided into (a) *Wholesale*, (b) *Retail*.

A manufacturing house may also be a distributing house, as, *e.g.* in the case of Messrs. Fellowes Bros. & Co., whose business organisation has been described; but many manufacturing houses strictly confine their operations to the wholesale distributing houses. Similarly a wholesale distributing house may also combine the business of a retail trader, *e.g.*, have, attached to the wholesale house, a shop where the general public may purchase goods at the same prices as in an ordinary retailer's shop. The flow of goods from a manufacturer to the public may be illustrated by a diagram:

Mercantile Agents. Besides the manufacturer and the wholesale and retail distributors, there are the *Mercantile Agents*, who may act for any of these three classes of traders. Speaking generally, whatever contract a man may make in his own person he may make through the instrumentality of another person whom he has appointed to act for him. A person who has been appointed to act for another is termed an *Agent*, and the person who appoints an agent to act

for him is called in relation to that agent a *Principal.* A mercantile agent is one who in the ordinary course of his business as agent has authority to sell or buy goods, or to consign goods for the purpose of sale, or to raise money on the security of goods. He is a *General Agent*, and is distinguished from a *Special Agent*, who is appointed to act for his principal in a special manner, *i.e.* outside the agent's ordinary business. Managers, travellers, clerks, and other employés of a trader are in a greater or less degree general agents. Mercantile agents are divided into three classes, viz., (1) *Factors*, (2) *Brokers*, (3) *Auctioneers.* Very often, however, a broker is also an auctioneer, and combines both functions.

Factor. A factor is an agent to whom goods are entrusted for the purpose of being sold on behalf of the owner. His principal usually pays him a commission on the price at which he sells the goods. Hence he is often called a *Commission Agent.* As a rule a factor sells in his own name, and often sells goods of which he is the owner. Therefore a buyer from a factor does not usually know who is the owner of the goods. In the case of breach of contract on the part of the seller, the buyer may sue either the factor or the principal, and, similarly, either the factor or the principal may sue a defaulting buyer. The fruit and vegetable salesmen at Covent Garden, the Borough and Stratford Markets, London, and at Brentford Market, are, when not growers selling their own produce, almost all factors. They sometimes buy the whole or part of a market-gardener's crop as it stands on the ground, or bid at auction for parcels of foreign produce sold by brokers on behalf of their principals and re-sell their purchases, or they sell for growers on commission. In every case they sell in their own names.

Broker. A broker is an agent who buys or sells goods or shares for a principal on commission (sometimes termed *Brokerage*). He is distinguished from a factor chiefly by the fact that he does not have possession of the goods and does not sell on his own account, while a factor does have possession of the goods and does sell on his own account. Hence in dealing with a broker one must assume that one is dealing with an agent and not with a principal. A share broker is a broker, but not a mercantile agent, for, as the student will remember, shares are not goods. The operators at the great Produce Exchanges are usually brokers—either buying or selling brokers.

Auctioneer. An auctioneer is a person authorised to sell property on commission at a public auction. He has legal possession of the goods he sells, a lien upon the goods in his possession for payment of his charges, and the right to sue for the price of the goods he sells. He is also in general liable to be sued by a buyer to recover the goods sold. Each lot sold by auction is the subject of a separate contract. A sale by auction is complete when the auctioneer announces its completion by the fall of the hammer. Till then any bidder may retract his bid.

Del Credere Agreement. An agent for the sale of goods sometimes acts under an agreement with his principal by which in return for higher commission than usual he undertakes that his principal shall receive the price of all goods sold. Such an agreement is called a *del credere agreement*, and under it the agent becomes liable to his principal for the price of the goods sold in case the buyer makes default in payment. The extra commission is also termed del credere. Sometimes it is separately deducted from the account sales (A/S), but at other times it is included with the ordinary commission and charged out simply as commission.

Sales of Goods. Sales of goods may therefore be made by a

(1) Manufacturer to a Wholesale Trader;
(2) Wholesale Trader to another Wholesale Trader or to a Retail Trader;
(3) Retail Trader to the General Public;
(4) Factor or Broker to Manufacturer, Wholesale or Retail Trader;
(5) Auctioneer to Manufacturer, Wholesale or Retail Trader, or the General Public.

With regard to Nos. (1) and (2) sales may be effected with the (*a*) Home Trader or (*b*) Foreign or Colonial Trader, *i.e.* they may form part either of the *Home Trade* or *Export Trade;* and with regard to (4) sales may have relation to (*a*) British products or (*b*) Foreign or Colonial products, *i.e.* they may form part of the *Home Trade* or *Import Trade.*

Method of Selling Goods. The chief means of finding customers for, and therefore effecting sales of, goods are (1) *The Market*, (2) *Advertisement*, as understood in its widest significance. A market (from the Latin *mercari* = to trade) may be defined as any body of persons who are in close and constant business relationship with one another, and who carry on extensive transactions in any

commodity, transferring the commodities from one to another through the accepted medium of exchange. The word is also used to designate the place where such transactions take place. It should be remembered, however, that a market need not be centralised. The traders composing a market may extend over an entire town or region of country in separated localities, and yet constitute a common market, provided that by means of *Fairs*, *Meetings*, *Prices Current*, *Price Lists*, the *Telegraph*, the *Telephone*, the *Post Office*, *Newspaper* (and other) *Advertisements*, they are brought into close communication with one another, and the knowledge that comprises a free open market is intimate and common. But markets naturally tend to concentrate in particular spots. Hence we have, amongst others, in London (and large cities like Glasgow, Liverpool, Manchester, Leeds, Bradford, etc., have equally important markets of the kind, as also do the great cities in the Colonies and Dependencies and Foreign Countries) the *Wool Exchange* or market for the sale of wool, the *Coal Exchange* or market for the sale of coal, the *Metal Exchange* for the sale of tin, copper, lead, spelter and quicksilver, the *London Commercial Sale Rooms* for the sale of tea, coffee, sugar, dried fruits, etc., the *Baltic Sale Rooms* for the sale of timber, ships, wheat, the *Royal Exchange* for the sale of Bills of Exchange, the *Stock Exchange* for the sale of stocks and shares—the last, so numerous are the transactions and so various the descriptions of stocks and shares dealt in, being sub-divided into different markets, *e.g.* the *Consols Market* for dealings in Consols, the *Railway Market* for dealings in railway stocks, the members composing the separate markets forming themselves into special groups at particular spots on the floor of the House.

Test Paper VIII

1. Distinguish between Barter and Sale.
2. Define the following: Trade, Commerce, Industry.
3. Explain the meaning of the word "contract," and as fully as you can a "contract for the sale of goods."
4. In what ways may a contract for the sale of goods be made?
5. Explain "Document of Title."
6. What are the essentials in any written contract for sale of goods?
7. Explain "Condition" and "Warranty" with reference to sale of goods.
8. What is the meaning of "Caveat Emptor" and does it always apply in sale of goods?

9. What do the letters G.M.Q. stand for?

10. To what points do the terms of a contract for the sale of goods usually relate?

11. Explain sale of goods by description, by sample, by type.

12. Explain the following Loco Price, price On Rail, At Station price, Duty Paid price, Duty Free price.

13. Explain Prompt Delivery, Prompt Day, delivery Ex Ship and Ex Quay, Forward Delivery and delivery Free Overside, To Arrive.

14. State what you know regarding a seller's Right of Lien and Stoppage in Transitu.

15. When do goods sent O/S or return become the consignee's property?

16. Define Arbitration.

17. Mention the main classes into which Trading Houses are divided.

18. Define Agent and distinguish between a Factor, a Broker and an Auctioneer.

19. What is a Del Credere Agreement and why should it arise?

20. Explain the word "Market."

21. How does a Special differ from a General Agent? Is a stockbroker a Mercantile Agent?

22. When is a contract for sale of goods to the value of £10 or over enforceable in the absence of a written contract?

23. What are "Implied Conditions and Warranties"? Give examples of conditions and warranties usually implied in sale of goods.

24. Distinguish between Specific and Future goods.

25. Write out clearly from the notes below the reply to the following letter: 14 Charlton Road, Sanderstead, 10th August, 1908. Dear Sir, As I see from an advertisement in one of the daily papers that you have a Drapery business for sale in Kent, I shall be much obliged if you will favour me with particulars of same. Yours faithfully, Sydney Jackson. To Mr. Herbert Burrows, Auctioneer, 10 Moorgate Street, E.C.

Notes for Reply: The business comprises a Grocery, Drapery and Outfitter's business. Situated at Maidstone. Takings last year £3500 roughly. Has been established 100 years, and in same hands 20 years. Premises comprise: 3 shops, all adjoining, 7 rooms, nice yard, garden, stabling and storehouses. Price, including all fixtures, horse and van, and stock £950. About £400 of purchase money could remain. Will bear investigation. Owner retiring. (*S. of Arts*, 1909.)

26. Make out an invoice for the following goods, ruling on your working paper a form for the purpose: 2 doz. Cotton Streamers (assorted cols.) @ 8*s.* 9*d.* per doz.; 3 doz. Red Ensigns, 15 in. x 12 in. @ 1*s.* 8*d.* per doz.; 48 yds. 52 in. Blue Serge @ 1*s.* 5½*d.* per yd.; 36 yds. 30 in. Red Twill @ 3¾*d.* per yd.; 6 Union Jacks, 4 yds., @ 18*s.* 9*d.* each; 20 yds. 18 in. Green Bunting @ 8¼*d.* per yd.; 1 Case charged 3*s.* 6*d.* Per Midland Ry. Carr. Pd. (*West Riding C.C. Elem.* 1908.)

27. Explain the following abbreviations: O/S; D/O; N.B.; *e.g.*; *i.e.*; p.a.; T.M.O.; T.O.; E.C.

CHAPTER IX

SALE OF GOODS AT A CENTRALISED MARKET

THE LONDON COMMERCIAL SALE ROOMS

It will be useful to trace the procedure for effecting sales of goods at one of these centralised markets, and the methods adopted by the buyers for the subsequent disposal of the goods.

Suppose you are an importer of dried fruits carrying on your business at 26 Mincing Lane, London, E.C. under the style of L. Ramirez & Co., and that you have arranged with your Spanish correspondents at Denia and Malaga for the following consignments:

258 Trays Muscatels, T.M., 5 Crowns, Royal Clusters,
400 ½-boxes Valencias, P.J., Fine selected,

the first, to arrive by the s.s. "Cid" about 15th November, and the second, by the s.s. "Arana" arriving about the same date. The consignments (in actual practice they would of course, be far larger than is here assumed) are made, and on arrival taken into Botolph Wharf *under Bond*. It should be mentioned that there is a customs duty of 2/- per cwt. on currants and 7/- per cwt. on all other descriptions of imported dried fruits, so that the goods must remain under Government supervision till the duty is paid.

Your correspondents in Denia and Malaga have periodically advised you by letter and cable of the extent and character of the Spanish dried fruit crop, of the composition and quantity of the shipments made to other importers, your trade rivals; while you yourself have carefully noted the prices realised for the different descriptions and marks; and have made as close an estimate as

possible of the present and future requirements of the British Market. Taking all these data into consideration you decide that an immediate sale of your consignments offers the best chance of remunerative prices. You accordingly instruct your brokers, Messrs. Jansen & Phipps, to offer the two consignments at auction, without reserve, at the London Commercial Sale Rooms, on the 26th November, their next sale day.

The brokers include your consignments, with others, in their *Sale Catalogue*, which shows the number and composition of the lots into which the various consignments have been divided for sale purposes, and the conditions under which the lots will be sold. In this case the conditions are those agreed upon by the Dried Fruit Association (a kind of guild or trade protection society) composed of all the brokers and wholesale dried fruit dealers. The brokers send the catalogue to all likely buyers in London, and as a result of this publicity, and the demand for the goods, the brokers, when they mount the rostrum at the Sale Rooms, are confronted by a large number of wholesale dealers desirous of securing portions, or, should there be a scarcity, the whole of the goods. The brokers, who in the dried fruit trade are also the auctioneers, put up the lots one by one, and knock them down to the highest bidder, entering in their catalogue the names of the buyers, the lots bought, and the prices paid.

Assume now that I am a bidder, and that the following lots were knocked down to me.

Lot 38. 250 ½-boxes Valencias P.J. @ 23/6
„ 324. 200 Trays Muscatels, T.M. 5 Crowns @ 55/-.

The brokers enter the details of this sale in their book, and I also make a similar note in my catalogue. The following day I receive from the brokers a contract note.

CONTRACT.

12 Mincing Lane,
Mr. John K. Grebby, London, E.C.
15 *Eastcheap, E.C.* *27th November*, 1910.

We have this day sold to you on a/c of our Principals

250 ½-*boxes Valencias P.J. ex "Arana"* 23/6.
200 *Trays Muscatels T.M.* 5 *Crowns ex "Cid"* 55/-.

Brokerage ½ %
Discount 1½ % JANSEN & PHIPPS
Prompt *7th December*, 1910. *C. Jansen.*

The student will remember that a bid at auction is a verbal contract, and that when the goods are knocked down to the bidder the contract is complete. The contract note is therefore a memorandum of the contract. In the above note there is no disclosure of the principals for whom Jansen and Phipps are acting. The assumption is, therefore, that Jansen and Phipps' principals are a reliable firm of importers. If there were any doubt on that point, their names would be given, so that in case of default Jansen and Phipps' buyers would know from whom they were to seek redress. Contract notes for goods are not stamped, but contract notes for stocks and shares must be stamped. For scale see Chapter on Stock Exchange.

Soon after the receipt of the Contract Note I receive from the brokers a bought invoice for my purchases. To save detail I will confine myself to the first item on the contract note, for the principle is the same no matter what the quantity may be.

'PHONE 1876 HOP. 12 MINCING LANE, LONDON, E.C.
TELEGRAMS "SENIPP, LONDON." 28*th November* 1910.

Mr. John King Grebby, 15 *Eastcheap, E.C.*

Bt. of JANSEN & PHIPPS

W. B. 63/66 250 ½-*boxes Valencias P.J. ex "Arana."*

LOT 38. CUSTOMS AVERAGE 1000 = 247 0 21 net.

					cwt.	qr.	lb.
250	*74*	*2*	*26*				
	12	*1*	*3*	5½ lb.*			
	62	*1*	*23*				
		2	*6*	†			
	61	*3*	*17*	@ *23/6* per cwt.	*72*	*14*	*8*
				Discount 1½ %	*1*	*1*	*10*
				Lot money *6d.* Brokerage ½ % *7/3*		*7*	*9*		*14*	*1*
					72	*0*	*7*
				Allowance damage	*nil*		
				Duty allowed *250* *61* *3* *5* @ *7/-*	*21*	*12*	*7*
					£*50*	*8*	*0*

Payment Saturday *7th December 1910.*
D.B. *19/88.* E. & O. E.

Customs Average. Duty is payable on the Customs Average net weight of fruit imported. It would obviously be a lengthy business to weigh and tare each of 1000 boxes separately, so the Customs authorities select one here and there and average the weight and the tare of the whole on the basis of the number actually weighed and tared. As a rule about 10 per cent. of the parcel is weighed and tared if brought to account for duty at the ship's side, but if warehoused under bond the number weighed and tared is less (*see* p. 80).

Draft. This is an allowance made by the seller to the buyer. The Customs authorities do not recognise any such allowance when averaging weight for duty.

Lot Money is, as will be seen, a charge made by the broker to the buyer for each lot bought. It is a charge akin to that made by carriers, termed *Booking*, to compensate for clerical labour in entering and invoicing, &c.

* This is the Tare, viz. 5½ lbs. per ½-box.
† This is the Draft on the *250* ½-boxes.

Duty Allowance on 250. A buyer of dried fruit at auction may either pay the duty on his purchases and receive from the broker a "duty paid" warehouse order, or elect to pay the duty as and when he draws the goods from bond, and receive an "in bond" delivery order. In this case I have been credited with the duty, the amount of which is included in the price of the fruit, viz., *23s. 6d.* per cwt., and I shall accordingly receive an "in bond" delivery order. But I must pay to the Customs authorities the duty allowed to me before I can get possession of the fruit.

I pay this invoice on the due date, and then receive from the brokers an "in bond" delivery order (D/O), the brokers having previously received from you, the importer, an in bond D/O for the parcel I bought. I give below specimens of both these D/Os.

IN BOND.

26 MINCING LANE, LONDON, E C.
November 28, 1910.

TO THE SUPERINTENDENT *Botolph Wharf*
PLEASE DELIVER TO *Messrs. Jansen & Phipps*
Ex "Arana" Rotn. No. 18300/1910.
Two Hundred and Fifty (250) ½-*boxes Valencias P.J.*

L. RAMIREZ & CO.
L. Ramirez.

This is a D/O given by you, the merchant, to your brokers, Jansen & Phipps, who endorse it "Please transfer and deliver to our sub-orders—Jansen & Phipps" and then lodge it with the Wharfingers—the Botolph Wharf. A merchant's D/O is always an "In Bond" D/O. For the meaning of "Rotation Number" see p. 218.

IN BOND.

12 MINCING LANE, LONDON, E.C.
December 7, 1910.

TO THE SUPERINTENDENT *Botolph Wharf*

PLEASE DELIVER TO *Mr. John King Grebby*
Ex "Arana" Rotn. No. 18300/1910

Two Hundred and Fifty (250) ½-*boxes Valencias, P.J.*
Entered by L. RAMIREZ & Co.

CUSTOMS AVERAGE 250 = 61 3 5

JANSEN & PHIPPS
C. Jansen.

This is a D/O handed by the Brokers to me, the purchaser. I endorse it, "Please transfer and deliver to my sub-orders—J. King Grebby" and lodge it with the Wharfingers—the Botolph Wharf—and as I sell the goods to my customers I issue delivery orders to them either "In Bond" or "Duty Paid" as may be arranged between us, or I release the goods from bond myself, and deliver the goods to my customers straight from the wharf. These Delivery Orders must not be confounded with Dock Warrants. A *Dock Warrant* is a Document of Title, but these D/Os are not. A specimen D/W is appended (*see* p. 150), and the student will note that it is stamped.

I have now dealt with my purchase so far as the Broker is concerned, but the Broker has yet to account to you, his principal, for the proceeds of sale. This he does by rendering to you an account sales (A/S) given on p. 151, and enclosing with it his cheque in settlement.

Port of London Authority

ROTN. 9762

Dock Lot
No. B 20829

Dated this 8th December 1909

Warrant for One hundred slabs Tin

imported in the Prometheus Master Green

from Singapore entered by J. Green & Co

on the 2nd December 1909 deliverable to G. White & Co

or Assigns by endorsement hereon.

Rent commences on the 6th December 1909 and all other charges from the date of this Warrant.

MARK.	Lot NUMBERS. Slabs Original.	Slabs Dock.	Net WEIGHT. Gross. Cwt.	qrs.	lbs.	Tare. Cwt.	qrs.	lbs.	MARK.	Lot NUMBERS. Slabs Original.	Slabs Dock.	Net WEIGHT. Gross. Cwt.	qrs.	lbs.	Tare. Cwt.	qrs.	lbs.
KTA	1	10	9	3	27					1	10	10	·	2			
		10	10	·	4						10	9	3	24			
		10	10	·	4						10	10	·	4			
		10	10	·	2						10	10	·	1			
		10	9	3	26						10	9	3	27			
		50	50	·	3						50	50	·	2			
											50	50	·	3			
											100	100	·	5			

Ledger A Fo. 188

A Browning Clerk. J Taylor Warrant Clerk.

THREE PENCE

Port of London Authority

PHONE 1876 HOP. 12 MINCING LANE, LONDON, E.C.
TELEGRAMS "SENIPP, LONDON." *7th December*, 1910.

Messrs. L. Ramirez & Co., 26 Mincing Lane, E.C.

400 ½-boxes Valencias ex "Malaga."

Sold by JANSEN & PHIPPS

W. B. 63/128. LOT *130.*

400	*118*	*3*	*0*						
	18	*3*	*0*	*5¼*					
	100	*0*	*0*						
		3	*16*						
	99	*0*	*12*	@ *26/-*				*128*	*16*	*9*
				Discount *1½* %	*1*	*18*	*8*			
				Brokerage *1½* %	*1*	*18*	*8*			
				Guarantee ½ %		*12*	*11*			
				Lot Money Public Sale Expenses		*2*	*0*			
				Incidentals, Stamps, &c.			*5*			
				Duty *400/100* @ *7/-*	*35*	*0*	*0*			
				Interest on Duty		*2*	*5*			
				Entries		*3*	*0*			
				Freight	*4*	*2*	*6*			
				Interest on Freight			*4*			
				Wharf Charges, Consolidated Rate	*3*	*11*	*3*			
				Wharf Charges, Rent	*1*	*16*	*0*			
				Fire Insurance		*3*	*3*			
				Allowance Damages	—	—	—			
								49	*11*	*5*
				D. B. *19/22* E. & O. E.				*£79*	*5*	*4*

This account sale does not relate to my purchase of 250 ½-boxes *ex Arana*, but to another sale of 400 ½-boxes ex SS. *Malaga*, made by Jansen and Phipps on your behalf. The principle however is exactly the same.

. . . .

My object is now to sell the 250 ½-boxes Valencias which I have bought from Jansen and Phipps, and for which I hold a D/O.

I add to the price per cwt. I paid the brokers a percentage

sufficient to provide my profit, say 10%, and then a percentage sufficient to cover my establishment charges, say 2½%.

The Valencias cost me . . .	23/6
Add 10% for profit (say) . ,	2/6
	26/-
Add 2½% Establishment charges, say.	8
Price at which I must sell . .	26/8 say 26/6

In the same way that the brokers advertised their sale so I proceed to advertise mine. But my advertising must be more pointed and extensive than the brokers', because the retail distributors to whom I sell do not, like the wholesale dealers, congregate at particular spots to buy goods. They are scattered throughout London and the Provinces, and are solicited to buy the same class of goods that I offer them by quite a number of wholesale dealers, who compete with me for their custom. I therefore periodically issue a *Price Current*, giving the different goods I stock, and quoting lowest and highest prices, according to quality, of each kind. The prices quoted are rather "wide" prices, *i.e.* they are not necessarily the actual prices I am prepared to take and they leave room for bargaining.

EXTRACT FROM DRIED FRUIT DEALER'S PRICE CURRENT

CURRANTS—NEW

	per cwt. s. d.		s. d.
Vostizza, finest bold, shade dried . .	33 0	to	38 0
,, fine ,, ...	29 0	,,	30 0
,, good ,, ...	25 0	,,	27 6
Panariti, finest ,, ...			
,, fine black	28 0	,,	30 0
Gulf, choice bold	27 0	,,	29 0
,, fine free			
Zante, finest black	25 0	,,	27 0
,, fine shotty	24 0	,,	26 0
Patras, bold free	25 0	,,	27 0
,, good useful	24 0	,,	25 0
Amalias, fine bold	23 0	,,	24 0
Provincial, fine free	21 0	,,	22 0
,, good free			

VALENCIAS.

		per cwt.				
		s.	d.		s.	d.
Very choice	¼ boxes	43	0	to	44	0
Choice, bold	¼ ,,	40	0	,,	42	0
Fine, selected bold	¼ ,,	38	0	,,	39	0
Fine selected	¼ ,,	34	0	,,	36	0
Good selected	¼ ,,	30	0	,,	32	0
Selected, faced	¼ ,,	29	0	,,	30	0
Selected, bold	½ ,,	29	0	,,	30	0
Selected, fresh-looking	½ ,,	27	0	,,	28	0
Selected, good	½ ,,	26	0	,,	27	0

In addition to this Price Current I send out from time to time a list headed *Special Offers*. It may happen that I have bought some lines of goods particularly cheap, or of more than usually good quality, or that I am overstocked with some descriptions of dried fruit and wish to get rid of them quickly. I am consequently prepared to take a comparatively low price for the goods. The prices quoted in this list are the actual prices at which I am prepared to sell. In both of these advertising media then I mention *Valencias*, qualifying the entries in the "Special Offer" list by descriptive epithets "Exceptionally Choice selected" or "Fine selected, very fat," etc. I send my Price Current and my Special Offer list far and wide amongst my customers, some of whom send me inquiries for the goods. At the same time I give my travellers sample packets of the fruit, made up from bulk, with the cost price (in cipher) and selling number marked on the outside (this cost price is my estimate of the market value of the fruit and is not the actual buying price). My travellers show these samples to the customers on whom they call, and endeavour to sell them parcels of the fruit at as good a price as they can get. We will follow up a successful call of one of my travellers. He has induced Messrs. Ward and Phillips, Grocers, of 16 Meadow St., Guildford, to give him an order for 25 ½-boxes of Valencias @ say, 28/-, which order he has duly noted in his pocket-book at the time of taking it. The same day he writes up and forwards to me his daily report of calls, inquiries, orders, etc.

Return Address:
Old Pack Horse Hotel,
Dover.

Bull's Head Hotel,
Guildford.
12th *December*, 1910.

Dear Sir,

Yours of yesterday's date is to hand and contents noted.

Summerscales.—I trust you have despatched the order wired to-day, confirmation of which is enclosed.

Woodman.—I am sorry to report no business. Woodman is a difficult man to deal with, professing to be able to buy cheaper elsewhere, though I quoted him rock-bottom prices at the finish. I believe he is tied to Finch.

Heywood.—I shall be able to do nothing with this buyer until the question of tare on the last lot of Patras is settled. Can you not meet him? He is a large buyer and ought not to be lost for the sake of a pound or two.

Cheques.—Summerscales . £32 7*s.* 6*d.*
Ward & Phillips . £18 2*s.* 9*d.*
Greenleafs, Ltd. . £135 10*s.* 9*d.*

Orders.—Summerscales (confirmation of wire).
Ward & Phillips
Greenleafs, Ltd.
Johnson & Co.

If you have anything very special post me samples to Dover. There are one or two men there always open to consider good lines.

Yours faithfully,
Arthur Whitehead.

These orders are passed on to the clerk at the Country Desk who sees that the goods are promptly despatched, and that the weights and particulars are filled in the Rough Book, and handed to the invoicing clerk for invoicing.

TELEPHONE 1586 HOP
TEL. ADDRESS "CERES, LONDON"

15 EASTCHEAP, LONDON, E.C.
December 13, 1910.

Messrs. Ward & Phillips, Guildford.

Bot. of **JOHN K. GREBBY.**

Wholesale Dried Fruit Merchant.

Terms 1% 1 mo.

25 P. J. Ex. "Arana"	½-Bxs. Valencias 7 2 14 1 0 25½ 5½ lbs. 6 1 16½ 2 6 1 14½ @ 28/-			1 %	8 £8	18 1 16	8 9 11

Thus, by orders received by me direct from customers, or by inquiries subsequently resulting in direct orders, or by the agency of my travellers, I dispose of the 250 ½-boxes Valencias to the retail distributor and realise my profit. He, in turn, adopts a similar procedure to dispose of his purchase from me. He may with pardonable exaggeration announce in the local papers that he has received a specially choice consignment of Valencias which he is prepared to sacrifice at the unprecedentedly low price of so much per lb., etc. He may cover his windows with bills to the same effect, distribute handbills or even samples of the fruit, or adopt other kinds of advertisement according to the measure of his inventive faculties, the scope of his trade, and the strength of his purse. On the other hand he may be one of those retail traders still happily existent, whose reputation for judgment in buying, honesty in dealing and civility of manner, "whose goodwill," in short, is their own best advertisement, enabling them to dispense with the more flaming kind of publicity. And thus he too, in time,

disposes of his stock to the public, realising a profit on his expenditure.

Altogether, then, there have been four distinct classes of operation, viz.:

(1) Importation of dried fruit by the Import Merchant.
(2) Sale by auction of the consignment in lots by the Brokers acting for the merchant.
(3) Purchase by the Wholesale Dealer from the Broker in large parcels and sale by him, in smaller parcels, to the Retail distributor.
(4) Purchase by the Retailer in small parcels, and sale by him to the general public in lbs., $\frac{1}{2}$-lbs., etc.

Each of these operations has been effected by means of the market, and the use of advertisement, the base supporting all the operations being the demand forthe goods by the general public.

Market Report. Brokers frequently issue circulars giving particulars of the shipments arrived and the prices realised at auction, sometimes also prognosticating the future course of the market in a particular commodity. These circulars are termed *Market Reports*. I print below one issued by the leading firm of Dried Fruit Brokers, to whom I am indebted for the foregoing information.

November 9, 1909.

DRIED FRUIT BROKER'S MARKET REPORT.

CURRANTS. The improvement reported last week has continued, and a good business has been done in all grades. Prices are firm, and especially so for anything between 22*s*. and 26*s*. There have been no arrivals during the week, and this, combined with the small stocks, makes the selection of fruit offering rather poor. Sales comprise

	s.	*d.*		*s.*	*d.*
Pirgos	20	0			
Patras	21	6	to	23	0
Gulf	21	0	,,	25	0
Panariti	24	0	,,	25	6
Vostizza	25	0	,,	32	0

VALENCIAS. The 625 tons offered at auction met with a good demand, and upwards of 425 tons sold, at full prices for all grades. Quotations:

	s.	*d.*		*s.*	*d.*
Halves:					
Ordinary	24	0			
Good to fine	25	0	to	30	0

Quarters :

	s.	d.		s.	d.
A few common	26	0			
Ordinary	27	0			
Medium to good	28	0	to	38	0
Fine to choice	40	0	,,	45	0
Fancy, up to	65	0			

Seedless :

Common, at	23	0			
Fine, up to	32	0			

Sultanas. A steady business has been done at previous prices, with the exception of low-quality fruit, which is 6*d*. to 1*s*. easier, consequent upon rather large arrivals recently of this grade. At the same time, it must be admitted that the volume of trade has been less than might reasonably have been expected, when the good value now to be obtained is considered. Prices :

	s.	d.		s.	d.
Common to ordinary	19	0	to	22	0
Medium	23	0	,,	25	0
Good	28	0	,,	34	0
Fine	35	0	,,	46	0
Choice, up to	55	0			

Muscatels met with a very good demand, at firm to rather better prices for common to medium fruit. Good to fine was irregular, and finest to choice full up. Out of 24,978 packages offered, three-fourths sold. Quotations :

	s.	d.		s.	d.
Common	38	0	to	48	0
Medium	50	0	,,	63	0
Good	65	0	,,	77	0
Finest	80	0	,,	80	0
Choice	94	0	,,	110	0
Very choice	115	0	,,	125	0

Figs. As anticipated, small boxes (especially those weighing 1½ to 2 lb.), have already become very scarce, and prices have advanced for the few that remain. There has been no advance at present on the larger sizes, but export inquiries are coming to hand, and it seems probable that it will not be long before more money has to be paid for all grades of this fruit. Quotations :

	s.	d.		s.	d.
Common layers	36	0	to	38	0
Medium	39	0	,	41	0
Good	42	0	,,	45	0
Fine, up to	50	0			
Lacoums	50	0	,,	95	0
Bags	21	6	,,	24	0

I also append a selection from a leading Dried Fruit Dealer's Special Offer List, to which reference has already been made.

EXTRACT FROM DRIED FRUIT BROKER'S SPECIAL OFFER LIST

	s. d.	
CURRANTS :		
¼ Cases, very good even Vostizza . . .	28 6	
¼ Cases, fine, bold Free Gulf . . .	22 6	
MUSCATELS :		
Trays, extra finest clusters. . . .	85 0	
Boxes, fair clusters (French packing) . .	35 0	
ALMONDS :		
Boxes, extra finest Valencia . . .	110 0	
FIGS :	per cwt.	per doz.
Cases, each 144 × 1 lb. 12 oz. boxes, fine quality	s. d.	s. d.
2 across	42 0	8 6
Cases, each 42 × 12 boxes, finest quality .	38 0	
Cases, each 54 × 4 lb. boxes, very choicest pulled	110 0	
DATES :		
40 lb. good Hallowi	14 0	

The student is informed that some descriptions of dried fruits, *e.g.* Currants, are never sold at auction but by private treaty—the dealers inspecting the samples at the brokers' offices, and terms being arranged between Broker and Wholesale dealer, in the same way that a retail dealer sometimes arranges his purchases at the offices of a Wholesale dealer.

THE WOOL EXCHANGE

The student who reads attentively the previous section dealing with the sale of dried fruit at the London Commercial Sale Rooms will have a very fair notion of the procedure followed, but inasmuch as the procedure at these centralised markets is not uniform, I have thought well to supplement that description by giving an account of the methods of sale adopted at the London Wool Exchange.

The three great centres for the Public Sale of Wool in Europe are London, Liverpool, and Antwerp. Broadly speaking, London is the centre for Colonial Wool and Sheepskins; Liverpool for East India Wool; Antwerp for River Plate Wool. In addition to these there are the various sales of English home-grown wool which take place at the different fairs held throughout the country, the Leicester Wool Fair being one of the most important.

A large proportion of the Australasian Clip, is, however, now sold in the Colonial markets, sales taking place regularly between October

and March in Sydney, Melbourne, Geelong, Brisbane, and Adelaide; in Tasmania, and also at various centres in New Zealand. The same remark is true of South Africa—weekly sales taking place at Durban, Port Elizabeth, and East London. And also of the River Plate Clip, the greater bulk of which is sold in Buenos Aires and Montevideo, the wool being brought into the central markets and there disposed of by tender or private contract, after which it is graded, press packed, and shipped to various consuming districts.

Of European centres London is by far the largest, the sales for 1909 aggregating over 1,000,000 bales. A bale of Colonial wool weighs about 350 lbs., and the average value realised per bale in 1909 was about £15. Wool is sold in London, at the Wool Exchange through Brokers. There are eleven firms of selling Wool Brokers, all of whom are members of "The Associated London Selling Wool Brokers," and regulate the Colonial Wool Auctions. Series of sales take place in London, Liverpool and Antwerp six times yearly, and each series in London lasts for two or three weeks, and in the other centres for several days, according to the quantity for disposal.

Colonial Wool may come from Australia, New Zealand, or the Cape. A "squatter," say in Queensland, has just finished his "clip." After careful classing, the wool is packed, under pressure, into bales. It may be "scoured," *i.e.* partially cleansed before it is baled, or packed in the greasy state in which it comes from the sheep. When the baled wool reaches the port from which it is to be exported to this country, it is "dumped" by the Shipping Company and bound with flat iron hoops, thus further compressing the bales, and saving considerably on the freight, which is calculated at so much per pound on dumped bales. Many squatters, however, now prefer to sell their clips in the Colonial markets, in which case they consign them to one of the selling brokers at Sydney, Melbourne, &c., where they are duly offered in sale.

If a squatter does not follow this course he may do one of two things. He may sell his clip on the station to a class of men called "Collectors," who buy up different clips, grade them, and then ship them; or he may ship the wool himself and endorse the Bill of Lading, Insurance Policy, and other shipping documents to a local bank or loan company, and secure an advance upon them pending the arrival and sale of the wool in London and the receipt of

the proceeds by the Bank, Merchant, or Loan Company accommodating him.

In all agricultural and pastoral countries which draw the great bulk of their wealth from the sale of harvest products, pastoral products, and raw materials, the banks of the country play a great part as providers of capital. The squatter, *e.g.* has to meet the heavy charges for labour and other out-goings connected with the sheep-shearing season at once. He cannot ask his men to wait three or four months till his clip has been sold, and he is in receipt of the proceeds. Hence the banks come to his aid, and by advancing money at interest, on the documents covering his shipments, enable him to meet the drain upon his capital resources. In times of drought, too, when large numbers of sheep die through want of water, and the squatter sees his flocks, representing thousands of pounds of capital, melting away before his eyes, the banks, by advancing funds on the security of his farm or "run," enable him to win through. This has happened, at times, in the history of Australia, and the story of the "squatter" rising phœnix-like from disasters that would have overwhelmed the farmers in older countries, offers one of the most wonderful examples of recuperative power that can be shown anywhere in the world.

Wool is thus continuously being shipped from the Colonies to London to the order of the Colonial Banks, Loan Companies and Merchants. It is cleared by the consignees and deposited in one of the warehouses under the control of the Port of London Authority, or in one of the private wool warehouses, *e.g.* that of Brown and Eagles, Ltd., Messrs. C. H. Cousens and Co., or Messrs. Thomas Gooch and Sons. A merchant receiving consignments of wool (the reader will remember that in the sense in which the word is here used a Bank or Loan Company is a "Merchant") sends the particular firm of Brokers with whom he deals a "specification" of his consignments and a "sampling" order. The broker then sends the sampling order to the warehouse where the wool is deposited, and the warehouse people draw from each bale a 1 lb. sample. These samples are conveyed to the sampling-room in the Brokers' office, and are closely inspected and valued. This done, the Brokers send the Merchant a "report" on the wool and a "valuation," and subsequently ask for instructions as to when the wool is to be sold.

The sales are arranged by the Selling Brokers amongst themselves.

Each series of sales begins on a Tuesday. Eight days before the opening sale-day of any series, the list of arrivals is closed, and no consignments arriving after that date can be included in that series. A merchant whose consignments had arrived in time might, however, consider that he stood a better chance of securing satisfactory prices by withholding his wool from the market for a time. Hence the Brokers take the merchants' instructions as to the particular sale in which their consignments are to be offered. Seven days before the opening sale-day the Selling Brokers meet and arrange the order of sales. The order is that of most importance—the Brokers taking precedence according to the quantities of wool they have to offer. The Brokers arrange the various clips into Lots, and a description of each Lot is printed in a catalogue, together with the Conditions of Sale. I give two or three typical extracts from a Catalogue:—

Ex "PRINZ REGENT," Cape

	Lot	Mark	Tare lbs.	Bales
Ex. Super Snow White	133	WAS	9	20

Ex "POLYPHEMUS" & "GEELONG" Sydney

	Lot	Mark	Tare lbs.	Bales
Scoured Ex. Super Combings	44	PINE VALLEY R.S.M.	11	7

Ex "OSTERLEY," West Australia

	Lot	Mark	Tare lbs.	Bales
Greasy Combing	224	J.S.L. (New Clip)	12	6

This catalogue is not always sent away to buyers, for all buyers of wool know when the wool-sales take place, and come to the Wool Exchange from all parts of the world. The sale dates are arranged for the year by the Colonial Wool Merchants' Association, and are duly advertised to the Trade by printed cards, &c. Buyers call or send for copies of the different Brokers' catalogues and then proceed to the Wool Warehouses at the Docks or elsewhere and inspect the wool. On sale-days the Sale Room is thronged with an excited crowd of eager buyers—the sale commencing at 4 P.M. each day. To the uninstructed onlooker the scene is bewildering, and it is impossible to tell who has bought any particular lot or what has been paid for it. But it is all clear to those who take part. A buyer may bid himself—"through the chair" as it is called—or he

may instruct a "Buying" Broker to bid for him. A buying Broker charges his client a commission for his services. The commission varies with circumstances. A buyer personally attending a sale and giving the buying Broker explicit instructions would not be charged so high a commission as would a buyer who did not attend the sale, but gave general instructions, and relied more completely on his Broker's skill and knowledge. The lots are knocked down to the highest bidder. Bidding up to 8*d.* per lb. advances by $\frac{1}{4}d.$ a lb. bids. Beyond 8*d.* per lb. bidding proceeds by $\frac{1}{2}d.$ per lb. As the lots are knocked down the selling Broker enters the name of the bidder and the price paid in his sale catalogue. The bidder also makes a memorandum in his catalogue of his bid, but no document then passes between Broker and buyer. After the sale is concluded the buyer "claims" the lot or lots bought by him, and he then receives from the Selling Broker one Invoice for the whol of his purchases. The following is a specimen of the Invoice:

18 Coleman Street, London, E.C.
December 16, 1909

Messrs. John Jones & Co.

To **PALGRAVE BROS. & CO.**

a/c Principals

For *80* Bales of *Colonial* Wool — Payment as per Catalogue

Lot	Bales	Tare	Gross	Tare and Draft	Net	Net lbs.	Price	£	s.	d.
1	33	12	107 3 2	4 2 0	103 1 2	11566	12½	602	7	11
2	47	12	152 1 3	6 1 16	145 3 15	16339	13½	919	1	4
	80	Bales						1521	9	3
					Lot Money				2	0
							£	1521	11	3

Due Cash *December* 30, 1909

E. & O. E. London, *December* 20, 1909

As will be seen, the invoice must be paid within fourteen days from date. This is called the "prompt" day. If it is not paid by

that time the buyer is adjudged to have made default. His purchases are confiscated. They are resold either by auction or private treaty, and the defaulting buyer must pay all charges accrued for Warehouse rent, Insurance, &c., incurred by the default, and make good any difference between the prices realised at the original sale and the re-sale, *i.e.* assuming that the price obtained at the re-sale is less than that obtained at the original sale. It is a striking commentary on the good faith of our merchant classes when one is able to add that default is practically unknown and may be left out of account. If the buyer desire delivery prior to the expiration of prompt he can only obtain it by paying the invoice, or, if the invoice is not ready, an equivalent estimated amount. When the buyer has paid the invoice or the equivalent estimated amount, the Broker hands him a D/O, copy of which is given below.

Seller's Charges to Deposit Account. Buyer's Charges to Bearer.

PALGRAVE BROS. & CO.

No. Public Sale *December* 16, 1909

LONDON, *December* 20, 1909

To Superintendent *Wool Floor, London Docks*

Please deliver to *Messrs. John Jones & Co.* or order the following *Eighty* Bales Wool

Lot	Bales	Mark	Ship	To be Marked	
1	33			G	1/33
2	47				
	80 Bales			"	34/80

Palgrave Brothers & Co.

Please mark as above, and deliver to the order of

The Great Central Ry. Co

John Jones & Co.

Wool is sold by weight, and the weight of any particular bale is the weight disclosed by the warehouse keeper's scales, less the tare specified in the same list. The most common tares allowed are 11 or 12 lbs. per bale. The custom of the London colonial trade, however, allows a draft of 1 lb. per cwt. from the weights to cover accidental deficiencies attributable to atmospheric causes.

The Selling Brokers, having sent out their invoices to the Buyers, render to each Merchant on whose behalf they sold goods an "Account Sales"—a specimen will be found below—and on the "prompt day" hand the Merchant a cheque for the amount due.

ACCOUNT SALES of *80* Bales WOOL, ex "*Victoria*" @ *Australia*
SOLD by order and on account and risk of *Messrs. Hardy, Mann & Co.*
by **PALGRAVE BROTHERS & CO.**

18 Coleman Street, London
December 16, 1909

Draft 1 lb. per Cwt.

Mark	Lot	Bales	Tare	Gross Weight	Tare & Draft	Net Weight	Net lbs.	Price			
	1	33	12	107 3 24	2 0	103 1 2	11566	12¼	602 7 11		
X	2	47	12	152 1 3	6 1 16	145 3 15	16339	13½	919 1 4	1521	9 3
		80	Bales								
				CHARGES							
				Freight £66 0 0. Interest —					65 0 0		
				Consolidated Rate 80 at 4/-					16 0 0		
				Rent							
				Auction Expenses 80 Bales at 4*d*.					1 6 8		
				Fire Insurance £1650 at 2/9 %					2 5 5		
				Brokerage on £1521 9 3 at ½ %					7 12 2	93	4 3
				Net proceeds due Cash December 30, 1909						£1428	5 0

E. E. London, *December* 20, 1909

When the Selling Broker has concluded his sale he issues a priced catalogue, giving the actual price obtained for each lot. This priced catalogue serves as a contract between the Selling Broker and his principals, and by being distributed among shippers and others, enables them to judge to a certain extent the demand for

wool, and the values set upon the many different grades. In the catalogue before me the prices obtained varied from $3\frac{1}{2}d.$ per lb. for "Scoured Grey Cape Wool" to 1*s.* $10\frac{1}{2}d.$ per lb. for "Scoured Ex. Super Combing" from Australia. Wool may be, and is, sold by "Private Treaty" as well as at auction. When sold by Private Treaty in London the conditions of sale between Broker and Buyer are whatever they may mutually determine, but are, generally speaking, Public Sale terms.

It should be remembered that the extent of the Clip has a determining influence upon the prices obtained for wool. All persons interested in the wool trade are continually receiving reports from the great producing countries, and by carefully comparing them with previous years they endeavour, as far as possible, to estimate the shortage or surplus over the probable demand, and arrange their buying or selling, as the case may be, accordingly.

The Conditions of Sale in the Colonial markets differ somewhat from the London Public Sale terms, the main points being that the bids are made by $\frac{1}{4}d.$ per lb. no matter what the price is, and also that the buyer pays the Selling Broker a delivery charge varying from $\frac{1}{8}d.$ per lb. to 2*s.* 9*d.* per bale. In London there are no charges whatever to the buyer, except the 1*s.* per lot, the wool being delivered free Ex Warehouse.

In the case of wool the bales bought go straight to consuming centres—Bradford, Huddersfield, and the other great towns where cloth weaving is carried on.

Test Paper IX

1. What is a Contract Note? Are contract notes for sale of goods stamped?
2. Define Customs Average. When averaging weight for duty do the Customs Authorities take draft into consideration. What is Lot Money?
3. Name four kinds of D/O's used in connection with dutiable goods. Distinguish between a D/O and a D/W.
4. Define A/S.
5. Explain Price Current, Special Offer List, and Market Report, and state the purposes they respectively serve.
6. Explain the procedure followed by a wholesale merchant in the dried fruit trade in effecting sales to the retail dealers.
7. Write out an invoice for 50 x ½ Bxs. Valencias sold by Messrs. Richard James and Co., 4 Eastcheap, London, E.C. to Mr. Joseph Gardiner, Grocer, Hull, on Nov. 14th, 1910. Gross weight, 13 cwt., 3 qrs. 4 lbs.; tare, $5\frac{1}{2}$ lbs. per ½ Bx.; draft, 4 lb.; Mark, ST ex Malaga. Price, 25*s.* 6*d.* per cwt. Discount 1% 1 month.

8. Write a letter to Price and Co., Albion St., Leeds, as from B. Calvert of Union St., Kidderminster, asking for information in regard to the business standing of Clarkson and Co., Nottingham, and also whether credit to the extent of £100 may be ventured.
(*Mid. Count. Union, Int.* 1908.)

9. State the smallest and the largest amounts for which postal orders are issued, and say why counterfoils are attached to postal orders.
(*West Riding C.C. Elem.* 1906.)

10. Why are postal orders more popular than money orders?
(*West Riding C.C. Elem.* 1906.)

11. What is the nature of the reductions made by a selling broker when rendering A/S to his principals?

12. Explain the following commercial terms and abbreviations: Gross, Tare, Net, P.O., pcs., Enclo., ult., Prompt Cash, Messrs., 1 mo. net.
(*West Riding C.C. Elem.* 1908.)

13. Give abbreviations for five of the following: Last month, Messieurs, Postscript, Morning, Debtor, Per Hundred.
(*Mid. Count. Union Elem.* 1908.)

14. Make out an invoice of the following goods sold on Jan. 1, 1906, by Marsh and Sons, 16 Queen St., Nottingham, to Charles Young, Worcester: 199 yds. Cloth @ 1*s.* 10*d.*; 267 yds. Serge @ 2*s.*
(*Mid. Count. Union Elem.* 1906.)

15. Deduct 2½% dis. and say how you would remit the money. Show letters accompanying the remittance and acknowledging its receipt.
(*Mid. Count. Union Elem.* 1906.)

16. Give the cost of a parcel of samples weighing 9½ lbs. sent by Parcel Post from Liverpool to Edinburgh. (*Lancs. and Ches. Union Int.* 1905.)

17. Describe how you send an express letter.
(*Lancs. and Ches. Union Int.* 1905.)

18. Name some of the various ways allowed by the postal authorities for the addressing of inland telegrams. (*Lancs. and Ches. Junior,* 1906.)

19. State the nature of the charges which must be added to the cost price of goods to arrive at a remunerative selling price. Illustrate your answer.

20. A tradesman wishes to send £5 in payment of an account. State the different ways in which this can be done. (*N.U.T. Elem.* 1905.)

21. In transmitting an inland telegram what would be the charge for the following words and figures: Can't, won't, 987654, 42⅕, 38.512, N.E., Newcastle-upon-Tyne, *come,* Regent Street. (*N.U.T. Elem.,* 1907.)

22. Write four different ways of terminating a business letter.
(*N.U.T. Elem.* 1907.)

23. Distinguish between a Price List and a Prices Current.
(*N.U.T. Inter.* 1907.)

24. If you wish to make quite sure that a telegram from you is sent correctly, what steps would you take? (*N.U.T. Inter.* 1908.)

25. Write out an invoice for the following goods: 1 pc. Grey Calico, No. 3380, 98½ yds. 1 1/16*d.*—15*s.* 10*d.*; 1 pc. 36 in. Pure Shrunk Long Cloth, 78 yds., 5⅛*d.*—£1 13*s.* 4*d.*; 25 yds., 56 in. Tweed, 9⅞*d.*—£1 0*s.* 7*d.*; 4 pcs. 30/1 Coloured Sateens, 177½ yds., 3⅞*d.*—£2 17*s.* 4*d.*; 1 pc. 24.-in. Yorkshire Flannel, 66 yds., 5½*d.*—£1 10*s.* 3*d.*; 6 pcs. Dark Flannelettes, 375½ yds, 3¼*d.*—£5 1*s.* 8*d.* Deduct 3¾% dis. and show the net amount. Sellers W. T. Brown and Sons, Birmingham, Purchaser, Richard Cox, Bilston. Date of invoice Jan. 15, 1909.
(*Lancs. and Ches. Union, 2nd year,* 1909.)

CHAPTER X

PACKING AND FORWARDING GOODS

Packing. The packing of goods is usually done by a special class of persons called *Packers*, but every one ought to learn to pack a parcel of moderate dimensions neatly and securely. The main object of packing is, of course, to ensure the safety of the goods during transit, but regard should also be had to appearance, as a clumsy-looking parcel leaves a bad impression on the mind of the receiver. The student will see later that a carrier is not responsible for injury to goods through faulty packing, so great attention must be paid to this point.

Labelling Parcels. Business houses invariably use labels printed with their name and address, which are affixed to the parcels by paste. The label should show in plain bold writing the name and address of the consignee, the date when the parcel was despatched, the route to be followed, and whether carriage is paid or not. Where parcels are frequently sent to a particular consignee it is a good plan to print the consignee's name and address, so that nothing need be added but the date, the route, and particulars as to carriage.

Delivering Parcels. Goods may be delivered by (1) messenger, (2) Parcel Post, (3) carrier, (4) rail.

Delivery by Messenger. Generally the messenger is a servant of the firm delivering. He must see that the parcel is delivered to the correct address, and into the hands either of the addressee or of some person ostensibly authorised to receive goods for the addressee. He must obtain a signature for the parcel. The signature should be in full, not merely the initials of the receiver. Where many deliveries are made in this way, the messenger is provided with a *parcels book*, ruled with spaces for (1) date, (2) name and address, (3) contents, (4) signature, somewhat as follows :

PARCEL BOOK.

DATE.	NAME.	ADDRESS.	PARTICULARS.	SIGNATURE.
1911 *15 Jan.*	*Anderson, R. Esq.*	*15 Buckingham Gate, S. W.*	*1 box containing Dress Suit*	*James Ayres*

Instead of a parcels book some firms use a *Delivery Sheet* ruled in much the same way. Others use a *Delivery Book*, consisting of printed *Receive* and *Received Notes*. The Receive note is detachable, and the particulars written upon it are reproduced by means of carbon paper on the undetachable Received note underneath. The Receive note is handed with the goods to the addressee, who signs the Received note by way of receipt. Sometimes the two notes are arranged side by side—the Receive note to the right hand—and both sets of particulars are written upon them separately. The receiver of goods, before he signs for a parcel, should be careful to see that the particulars in the parcel book, or on the Receive note, accord with the contents of the parcel, and that the contents are in good condition. If he is not authorised to open and check the parcels, he should protect his employer by adding to his signature the word "un-examined," or if the parcel is torn, wet, or in other condition suggesting damage to the contents, by stating the facts against his signature. It is unnecessary to add that all parcels should be opened and examined as quickly as possible, so that, should it be necessary to make a claim, the claim may not be impaired by delay.

Delivering by Parcel Post. The P.P. is mainly used by firms where goods of small compass have been sold against cash, and the buyer has prepaid carriage, or where rapid delivery is necessary, or where P.P. is the cheapest and most convenient mode of forwarding. Parcels sent by P.P. are restricted in size, weight, and contents; whereas the restrictions by carrier and rail apply within very narrow limits to contents only. Again, a parcel weighing 1 lb., sent by rail, would cost 4*d.*; but by P.P. it would cost 3*d.* On the other hand a parcel weighing 11 lbs. could be sent by rail, for distances not exceeding 30 and 50 miles, at a cost of 6*d.* and 8*d.* respectively, but beyond 50 miles the cost would be 1*s.*, against the P.P. charge of 11*d.* for any distance. It has already been pointed

out, see page 167, that signatures should be obtained for all parcels sent by P.P. in a book specially kept for the purpose.

Delivery by Carrier. There are several descriptions of carriers, *e.g. Local Carriers*, who operate within restricted areas connecting market towns with outlying villages; *Railway Carriers*, such as Sutton, Hayden, Billing, Bean, Pickford, Carter Paterson, The London Parcels Delivery Co., Globe Parcels Express, &c.; *Special Carriers*, those, *e.g.* connected with particular trades, such as the meat and fish trades; and *Bonded* or *Licensed Carriers*, employed in connection with the docks. Local carriers frequently serve districts untouched by railways. Their charges are low, and they commonly collect and deliver parcels on the same day without first of all taking them to central depots, and there sorting them according to the districts for which they are destined. The railway carriers do not always collect as well as deliver. Some of them, *e.g.* Sutton, Hayden, Billing, &c. require parcels to be delivered to them by a stated time each day. Some of these carriers make it a rule not to sign for parcels, but where they do sign, consignors should always obtain receipts. Carriers do the work cheaper than the railway companies. Their enormous traffic enables them to combine the separate parcels into large consignments, and thus make advantageous contracts with the railways. This serves the railway companies and the mercantile community equally well. The companies are relieved of the work incidental to the carriage of millions of small parcels, and traders contract with the carriers, giving them all their carrying trade, and thus secure far lower rates than could be obtained from the companies themselves. Carriers will always quote special rates for the delivery of large numbers of small parcels, and traders, who periodically have to deliver many small parcels, cannot do better than arrange the work with these carriers. In the book trade, drapery trade, in fact in most dry goods trades, retailers' parcels except they individually exceed a certain weight, are almost invariably forwarded by carriers.

Delivery by Rail

Railway Rates. The rates which a railway company *may* charge are controlled by Act of Parliament. Merchandise is divided into eight classes, indicated by the letters A, B, C, and the numerals 1 to 5. Maximum rates have been fixed in respect of each class, and

every railway company must keep in each of its stations, accessible free of charge to the public, a copy of this classification, and also a list of the maximum charges for each class. These maximum rates are for haulage. A railway company is entitled to charge in addition for station facilities, for loading and unloading, for covering and uncovering, and for collection and delivery.

The Classification of Goods. The charge for Class A. is the lowest of all, and the charges gradually increase for the different classes. Class 5 is the heaviest rated.

Class A for 4 tons and upwards, station to station, inclusive or exclusive of the provision of trucks. The goods included in this class comprise amongst others *sand*, *gravel*, *stable manure*, *clay in bulk*, *coal*, *coke*, *iron ore*, *&c.* For less than 4 tons the rates applicable to Class B may be charged; for less than 2 tons those charged for Class C, provided more is not charged than as for a consignment of 4 and 2 tons respectively. But in the latter cases, some rebate is generally to be secured in respect of station facilities which are lower for Class A than for Class B, and lower still than for Class C.

Class B for 4 tons and upwards. These goods include *tarred gravel for road-making*, *china clay*, *gypsum for manure*, *patent fuel briquettes*, *brewer's grains*, *fire bricks*, *iron and steel in bars*, *&c.* For less than 4 tons a company may charge as for Class C; for less than 2 tons as for Class 1, provided they do not charge more than as for a consignment of 4 tons and 2 tons respectively. The same remarks as to rebate apply as for Class A.

Class C for 2 tons and upwards. Where the consignment is less than 2 tons a company may charge the rates applicable to Class 1, provided they do not charge more than as for a consignment of 2 tons. Class 1 charges include collection and delivery, so a consignor of less than 2 tons is entitled to an appropriate rebate. The goods included in this class comprise *iron and steel rough forgings*, *onions in 3 ton lots unpacked or in lesser lots packed*, *parsnips*, *potatoes in bulk or sacks*, *turnips*, *wood pulp and other paper makers' materials*, *wheat and a large variety of heavy materials in a partially manufactured condition.*

Classes 1 to 5. The following selection will give some idea of the kind of goods comprised in these classes:

Class 1. Hides, salted or dry; paper in rolls for printing; non-dangerous oils in casks, or drums; timber; fish dried, or

cured in brine; tarred felt; rough and heavy iron and steel castings, &c.

Class 2. Raw wool; linen or grey yarn in bunches, bales, bags, wrappers, skips, &c.; unbleached grey linens; carpets; prepared cattle foods; colours and paints in casks, or drums, or in tins packed in cases; iron and steel safes, &c.

Class 3. Dressed or carded wool; woollen and worsted yarn; chemicals not dangerous, in casks, iron drums, kegs, or bags; door bolts, chains, knobs, knockers, latches, springs, &c.; floor cloths, &c.

Class 4. Chemicals not dangerous in boxes or hampers; incubators complete; fresh meat; dead poultry, rabbits, &c.; cricket implements, &c.

Class 5. Millinery; glass mirrors; bicycles and tricycles packed; photographic apparatus; live poultry, &c.; plaster figures; straw plait, &c.

The charges for these classes increase progressively, and are based upon the actual gross weights, 2240 lbs. to the ton, ascertained at the invoicing station. Stone is charged up at 14 cubic feet to the ton. The measurement of timber varies with the kind of timber and its state (sleepers, lathwood, balks, &c). The charges usually include collection and delivery, but not for articles exceeding 3 tons in weight, or those which, on account of their bulk, cannot be conveniently and safely carted in an ordinary delivery vehicle. The rates charged are applicable to consignments of over 3 cwt. Where the consignments are less than 3 cwt. they are charged up at a special rate, termed the "Scale for Smalls," which works out a little more than the tonnage rates. A consignment exceeding 3 cwt. is never charged less than as for 3 cwt. on the scale for smalls. Where a number of parcels, each of 3 cwt. or less, is made up and forwarded, and the parcels involve separate deliveries, a company charges 2*d.* per cwt. with minimum charge of 3*d.* for delivery on all places outside London, and 3*d.* per cwt. with a minimum of 4*d.* for all places in London within the company's radius of delivery. Where the delivery is outside the radius the usual extra charges are made. Fractions of 1*d.* are charged as 1*d.* if they amount to or exceed ½*d.*, if less they are dropped. This is for goods traffic; when carried by passenger trains all fractions are charged as 1*d.* When a consignment exceeds 3 cwt. any additional weight up to 14 lbs. is charged as 14 lbs.; over 14 lbs. and up to

28 lbs. it is charged as 1 qr. But the actual weight must be stated on the invoice.

How a Rate is fixed. Where railway systems are continuous, a railway company must carry under one contract, and at one rate; and where delivery involves the use of other lines as well as their own, the contracting company is responsible if the goods are not safely delivered. But a company is not bound to accept such responsibility, and may require a consignor to relieve them of liability from the time the goods have passed out of their hands. In that case, if the goods are damaged, the contracting company must prove that the damage was not caused by them or their servants, otherwise they are responsible (*see* p. 173).

Local rate. This includes

(*a*) The *maximum haulage rate* per ton per mile. Mentioned on p. 169, under the heading "Railway Rates."

(*b*) *Station terminal charges at each end*, as follows: Per ton, *Class A*, 3*d.*; *B*, 6*d.*; *C*, 1*s.*; 1, 2, 3, 4 and 5, 1*s.* 6*d.*

(*c*) *Loading and unloading charges*, as follows: Each operation per ton, *Class C*, 3*d.*; 1, 5*d.*; 2, 8*d.*; 3, 1*s.*; 4, 1*s.* 4*d.*; 5, 1*s.* 8*d.*

(*d*) Charges for *covering and uncovering*, as follows: Each operation per ton, *Class C*, 1*d.*; 1, 1½*d.*; 2 and 3, 2*d.*; 4, 3*d.*; 5, 4*d.*

(*e*) *Collection and delivery* charges usually as follows:

Each operation per ton.
- London, *Class* 1, 3*s.* 9*d.*; 2, 4*s.* 3*d.*; 3, 5*s.*; 4, 6*s.*; 5, 6*s.* 8*d.*
- Provinces, *Class* 1, 1*s.* 3*d.*; 2, 1*s.* 8*d.*; 3, 2*s.* 1*d.*; 4, 2*s.* 6*d.*; 5, 3*s.* 4*d.*

A *Through Rate* is compiled exactly in the same way, but the haulage charge is, of course, the combined haulage charges of the companies co-operating in the carriage of the goods. The procedure described above gives the maximum rate per ton which a company *may* charge, but generally the charge actually made is less. Further, in many instances, "exceptional" rates are in force. Thus, newspapers may be sent open ends at half the ordinary rates, station to station, and special rates are in force for returned empties, &c. These "exceptional" rates, in fact all railway rates, are computed on the volume of the particular traffic for which a rate is desired, its frequency, the value of the goods, their liability

to damage, their capacity to "bear" railway charges, and the existence of competitive routes. Large consignors or consignees can always secure exceptional rates, especially if the traffic is steady, and there are competitive routes open for the carriage of their consignments. The following gives a few sample scale rates per ton for the different classes between London and the towns mentioned.

	B.	C.	1.	2.	3.	4.	5.
Birmingham .	9/4	15/1	23/7	29/7	34/2	40/10	49/4
Bristol . .	9/8	13/1	23/7	28/10	35/2	42/–	50/9
Edinburgh .		31/8	41/8	51/8	70/–	98/4	117/1
Glasgow .		33/4	41/8	51/8	72/6	100/–	119/2
Leeds .	12/10	19/3	31/1	39/4	45/6	56/–	66/7
Leicester .	8/9	14/–	22/9	27/11	32/2	38/5	46/6
Liverpool .	12/9	19/10	28/10	34/1	39/4	52/6	66/5
Manchester .	12/6	19/5	30/6	39/–	45/6	54/8	65/-
Newcastle .	16/6	21/–	33/3	36/9	52/6	74/2	87/6
Norwich .	7/7	12/6	24/2	29/2	33/9	40/5	49/2
Plymouth .	15/7	21/–	34/1	39/4	47/3	62/6	76/4
Sheffield .	11/5	17/11	28/4	35/10	41/8	50/–	59/7

Company's Risk and Owner's Risk. A Person or Company who undertakes to carry goods for any one is called a *Common Carrier*. Thus Railway Companies, Shipowners, Parcel Delivery Companies, &c. are common carriers. A common carrier cannot, unless he has lawful excuse, refuse to carry goods, without laying himself open to an action for damages; nor can he charge an exorbitant rate for carrying, as that is tantamount to a refusal to carry. Generally, a common carrier is an insurer of the goods he carries. He must deliver them safely, and is responsible if the goods are stolen, or forcibly taken from him, or destroyed by fire, or if he deliver them to the wrong person. But he is exempted from liability where the loss or damage is attributable to: (1) *The Act of God*, *i.e.*, any unusual natural occurrence, *e.g.* a tornado, (2) *The King's Enemies*, *i.e.* the forces of an hostile government, (3) *Inherent Vice*, *e.g.* the disposition of perishable articles to decay, (4) *Negligence of the Consignor*, *e.g.* faulty packing. A common carrier may require his charges to be prepaid, and in default refuse to carry, but with business houses he generally runs an account. The

student sees that the liabilities of a common carrier are fairly onerous, and years ago the Railway Companies, by special contracts contained in their consignment notes, contrived to relieve themselves of much of the liability attaching to the old time carriers. In the year 1854 *The Railway and Canal Traffic Act* was passed. By this Act no contract which sought to limit a Railway or Canal Company's liability is valid unless: (1) it is in writing and signed by the consignor or his agent and (2) the terms of the contract are "just and reasonable." The words "just and reasonable" amount to this, that Railway Companies must carry ordinary goods at their own risk at reasonable rates, but where, in consideration of some substantial inducement offered by a company, a consignor is willing to relieve them of part of their liability, and the offer and acceptance are in writing, the contract is valid. Thus goods are carried either at *Company's Risk* (C.R.) or *Owner's Risk* (O.R.). In the first case the Company incurs full liability for delay, loss, or damage through negligence; in the second case a Company (and, in respect of *through traffic*, all co-operating companies) is only liable for the loss, injury or delay arising from the wilful misconduct of their servants. "Wilful misconduct" is naturally difficult to prove. The rates for goods carried at O.R. are much lower than those at C.R., and this is the "substantial inducement" mentioned above. The remarks as to rates previously made in this chapter apply to goods carried at C.R.

O.R. Rates. Not all goods in the classification can be sent at O.R. Those that can are usually indicated by the letter Y. Unless particular goods are marked as subject to O.R. rates nothing can be gained by so consigning them. Some goods, usually very fragile articles, can only be forwarded at O.R., and for the carriage of these extra rates are charged. For all goods carried at O.R. rates a consignor must sign a company's O R. note, otherwise the goods will not be accepted for transit.

Insurance of Goods. Generally it is not necessary to insure goods forwarded by rail. But it is provided by the *Carriers Act*, 1830, that a common carrier by land shall not be responsible for the safety of certain small but valuable articles exceeding £10 per packet in value, unless the nature of the articles and their value are declared at the time of handing in the goods, and the carrier is paid an increased rate for the increased risk. Where such goods are duly declared, and the increased rate is paid, a carrier is

INSURANCE CHARGES (to be prepaid). Irrespective of distance.

—	Between all stations in Great Britain.				Between all stations in Ireland.				Between stations in Great Britain and (*a*) Irish Ports when carriage between British and Irish Ports is wholly by sea. (*b*) British Isles.				Between stations in Great Britain and (*a*) Ports in Ireland when the carriage between British and Irish Ports is partly by sea and partly by land. (*b*) Interior stations in Ireland.			
	Class 1.	Class 2.	Class 3.	Class 4.	Class 1.	Class 2.	Class 3.	Class 4.	Class 1.	Class 2.	Class 3.	Class 4.	Class 1.	Class 2.	Class 3.	Class 4.
	d.	*d.*	*s. d.*	*s. d.*	*d.*	*s. d.*	*s. d.*	*s. d.*	*d.*	*s. d.*	*s. d.*	*s. d.*	*s. d.*	*s. d.*	*s. d.*	*s. d.*
Up to a value of £25 inclusive .	3	6	1 3	2 6	6	1 0	2 6	5 0	9	1 6	3 9	7 6	1 0	2 0	5 0	10 0
Exceeding £25 and not exceeding £50 additional .	3	6	1 3	2 6	6	1 0	2 6	5 0	9	1 6	3 9	7 6	1 0	2 0	5 0	10 0
And so on by increments of £25—for each £25 additional up to a value of £500 . .	3	6	1 3	2 6	6	1 0	2 6	5 0	9	1 6	3 9	7 6	1 0	2 0	5 0	10 0

Beyond £500 the insurance is subject to special arrangements.

Class 1. Stamps, maps, silks, or goods mixed with silk, where silk is more than 30 per cent. of the value, furs, clocks, timepieces, plated articles, coins, gold and silver manufactured or unmanufactured, jewellery from or to manufacturers or factors (when not containing precious stones), watches, gold and silver plate, hand-made lace, engravings, trinkets, bank notes, title-deeds, bills of exchange, orders, notes or securities for payment of money, English or foreign. *Class* 2. Glass of all kinds except as named in (4), china from manufacturers or factors, precious stones set or unset, jewellery other than (1). *Class* 3. Pictures and paintings. *Class* 4. Plate glass (in plates exceeding 36 ft. super in size, cut). Glass stained, glass silvered, glass bent. China, other than from manufacturers or factors.

fully liable for injury and loss; but otherwise he is not. In all such cases, a consignor should obtain a receipt for the parcel. A carrier must, if required, give a receipt for such goods. A list of the articles, and the increased rates applicable, are given on p. 175.

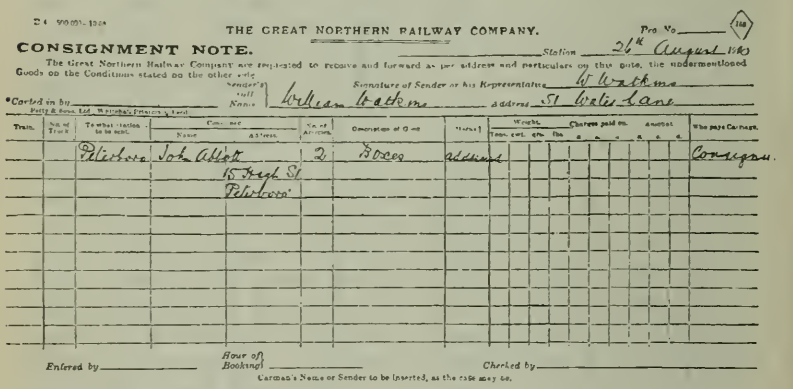
Carriage by Passenger Train. Railway Companies carry all kinds of goods by Passenger Train, but, by law, they are only bound to carry goods comprised within the following three divisions of "Perishable Goods." Div. I. Milk. Div. II. Fresh Butter, Soft Cheese, Cream, Eggs, Prime Fish, *e.g.* Salmon, Soles, Lobsters, Turbot, &c. Hot-house Fruit and Vegetables, Dead Game, Poultry and Rabbits, Fresh Meat. Div. III. Common Fish, Fruit (except that included in Div. II.), Ice. The rates are arrived at on the same principles as those which determine the rates per goods train. Unless goods are of a perishable nature, or are urgently wanted, they should be sent by goods train, as the rates for goods train are much less than those for passenger train. The London and North Western Railway Company's scale (other railway companies' scales closely approximate thereto) is given on p. 177. These rates are for goods carried at C.R. Certain kinds of goods may be carried per Passenger train at O.R. at lower rates, but the consignor must sign an O.R. note before the company will accept them at those rates. The rates include Collection and Delivery within the usual limits where arrangements for these services are in force.

Delivering Goods to Railway Company. Goods are usually collected from consignors by the companies themselves, but they may, of course, be delivered by the consignors to the companies at any of their duly appointed receiving offices. The companies supply consignment notes, either detached, or in blocks of forms. A consignment note contains on the back the conditions upon which the companies carry the goods. It is the *contract* between the carrier and the consignor. There are several varieties of consignment notes: (1) The C.R. note, (2) the O.R. note, (3) the note used when damageable goods, improperly packed, instead of being refused, are accepted for carriage at O.R. instead of C.R., (4) the note for dangerous goods, (5) the note for the carriage of bullion, &c. Specimen of a consignment note is on p. 178. The particulars to be filled in on the consignment note are name and address of consignee, number of packages, description of goods and marks,

Weight not exceeding	Up to 30 miles.	Up to 50 miles.	Up to 100 miles.	Above 100 miles.	Scotch Railways: Above 100 not exceeding 200 miles.	Scotch Railways: Above 200 miles.
lbs.	*d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*	*s.* *d.*
1	4	4	4	4	4	4
2	4	4	4	4	4	4
3	5	5	5	5	5	5
4	6	6	6	6	6	6
5	6	6	7	7	7	7
6	6	6	8	8	8	8
7	6	8	9	9	9	9
8	6	8	10	10	10	10
9	6	8	11	11	11	11
10	6	8	1 0	1 0	1 0	1 0
11	6	8	1 0	1 0	1 2	1 0
12	6	8	1 0	1 1	1 4	1 2
13	6	9	1 1	1 2	1 6	1 4
14	6	9	1 1	1 3	1 6	1 6
15	6	9	1 2	1 4	1 7	1 8
16	6	10	1 2	1 5	1 8	1 10
17	6	10	1 3	1 6	1 9	2 0
18	6	10	1 3	1 7	1 9	2 1
19	6	11	1 4	1 8	1 10	2 2
20	6	11	1 4	1 9	1 10	2 3
21	6	11	1 5	1 10	1 11	2 4
22	6	1 0	1 5	1 11	1 11	2 5
23	6	1 0	1 6	2 0	2 0	2 5
24	6	1 0	1 6	2 0	2 0	2 6
	Above 24 lbs. for each lb. $\frac{1}{4}d.$	Above 24 lbs. for each lb. $\frac{1}{2}d.$	Above 24 lbs. for each lb. $\frac{3}{4}d.$	Above 24 lbs. for each lb. 1*d.*	Parcels above 24 lbs. in weight to be charged 1*d.* per lb. not exceeding 200 miles, and $1\frac{1}{4}d.$ per lb. for distances exceeding 200 miles. Fractions of 1*d.* are charged as 1*d.*, and each parcel separately.	

Fractions of 1*d.* charged as 1*d.*, and each parcel separately.

weight, and whether the consignor or the consignee is to pay the carriage; the consignor also signs his name and address. The carman receiving the goods on behalf of the company signs his name on the counterfoil, on which the consignor for his own use enters the details of the consignment. This is the procedure when forwarding by goods train. In the case of parcels sent by passenger trains consignment notes are not necessary. The particulars of the parcels are entered in a parcels book, and the collecting carman signs for the number of parcels received.



THE GREAT NORTHERN RAILWAY COMPANY.

Pro No. ____

CONSIGNMENT NOTE.

Station 24th August 1883

The Great Northern Railway Company are requested to receive and forward as per address and particulars on this note, the undermentioned Goods on the Conditions stated on the other side.

Signature of Sender or his Representative W Watkins

*Carted in by ____ Sender's full Name William Watkins Address St Wales Lane

Petty & Sons, Ltd., Printers, Peterboro'

Train.	No. of Truck.	To what Station to be sent.	Consignee Name	Consignee Address	No. of Articles.	Description of Goods	Marks	Weight Tons.	Weight cwt.	Weight qrs.	Weight lbs.	Charges paid on Tons.	Charges paid on cwt.	Charges paid on qrs.	Charges paid on lbs.	Amount £	Amount s.	Amount d.	Who pays Carriage.
		Peterboro	Joh Abbott	15 High St Peterboro'	2	Boxes	Abbott												Consignee

Entered by ____ Hour of Booking ____ Checked by ____

Carman's Name or Sender to be inserted, as the case may be.

Receiving Goods from Carrier. The same remarks apply to signing for goods received from a carrier as have been given on p. 168. Should claims arise, they must be preferred with the utmost promptitude, and all papers and memoranda substantiating a claim should be preserved till it is settled.

Payment of Charges. As already pointed out, a consignor must, if required, prepay the charges, but, as a general rule, the companies run accounts with consignors. A carrier has a *particular lien* on the goods he carries, and may withhold delivery till his charges are paid. The lien is not a *general* lien, *i.e.* a carrier has no right to withhold delivery of particular goods because his charges on a previous consignment have not been paid, or to enforce payment of a general account. But he may by agreement have a general lien as well as particular lien, and generally where the companies run accounts, they stipulate that they shall have a general lien by way of security. Where the consignor acts as agent for the consignees

who are to pay the charges, and a company delivers the goods without collecting the charges their only remedy is to sue the consignees. But if the consignor is not acting as agent for the consignee, the carrier must sue the consignor. Frequently, however, the consignor and the consignee are the same person.

Delivery by Carrier. A carrier, unless relieved by his contract, must deliver the goods without unreasonable delay. Where delivery is unreasonably delayed, and attributable to the carrier's negligence, he is responsible. But he is only liable for such damages as are the natural consequence of the delay, and not for extraordinary damages arising from circumstances of which he had no knowledge. Suppose, *e.g.* a portion of a machine is sent to the makers for repair, and the machine cannot be worked till the return of the repaired piece. Unreasonable delay, for which the carrier is responsible, occurs. The owner of the machine may sue for damages, but not in respect of the time during which the machine stood idle, except he expressly informed the carrier that till the piece was returned the machine could not be worked. Delivery at a consignee's place of business is sufficient, and a carrier need not inquire whether the person receiving the goods is authorised to receive them, but he would not be justified in handing the goods to a person who could not obviously be authorised to receive them.

Carriers are not bound to deliver goods if the consignee's address is without the usual radius of delivery, but they must advise the consignees of the arrival of the goods, so that they may fetch them away. If, however, the goods are labelled "to be called for," it is presumed that the consignee is expecting the goods, and will send for them within a reasonable time.

A carrier's responsibility begins when he accepts goods for transit: it ends (1) when he delivers the goods, (2) twenty-four hours after the written notice advising the consignees of the arrival of the goods is due for delivery in the ordinary course of post, or (3) twenty-four hours after notice has been handed to them personally, or delivered at their address. In the case of goods "to be called for," a carrier's responsibility ends twenty-four hours after arrival of the goods. When transit is at an end the carrier becomes a warehouseman of the goods. In that capacity he must take good care of the goods, and may make a reasonable charge for doing so, but he is not responsible for injury or loss, unless it arise through his own negligence. In addition to charging for warehousing goods, a

carrier is entitled to charge for the detention of trucks, covering cloths, sacks and other conveniences beyond an agreed time. This charge for detention is termed *demurrage*.

Railway Clearing House. It has been explained how a railway rate is made up, both where the goods are carried by one company and when two or more companies co-operate in the carriage of goods. Railway companies also co-operate in the carriage of passengers. This co-operation necessitates splitting the charges and allotting them equitably between the companies co-operating. Very little reflection will bring home to the student the enormous mass of detail involved in this process. This work is greatly facilitated by the Railway Clearing House, an institution founded and maintained by the railway companies, much as the Bankers' Clearing House was founded and is maintained by the great banking houses. The claims of the different railways are adjusted and balanced one against the other; differences being paid or received, as the case may be.

Checking Railway Accounts. No railway account should be paid till it has been thoroughly checked. Careful watch should be kept that all rebates due in respect of collection and delivery, and terminal charges have been allowed. If not, claims must be preferred. A most useful book for checking railway charges is, J. W. Gray's *Railway Goods Traffic and Carrying Charges*, price 20s. net, obtainable from the author at Shipley Fields, Bradford.

Test Paper X

1. Explain four modes of delivering parcels.
2. What is a Parcel Book? Rule a specimen page and make three entries therein.
3. Name the different kinds of carriers. When is it more advantageous to forward by P.P. than by carriers.
4. How is a railway rate made up? Is there any control over railway rates?
5. Give the different classes into which goods are divided for the purpose of transport by railway.
6. What do you understand by the "Scale for Smalls"?
7. Define "a common carrier," and mention the particular circumstances which exempt him from liability in respect of loss or damage to goods carried by him.
8. What do you understand by Company's Risk rate and Owner's Risk rate? Are both rates applicable to all goods?
9. Is it necessary to insure goods forwarded by rail? If so, when?

10. Explain what is meant by a " general lien " and a " particular lien " as applied to common carriers.

11. State when a common carrier's responsibility begins and ends. What is his position in regard to goods " to be called for " ?

12. What precautions should be adopted by a person receiving goods from a carrier ?

13. What are the functions of the Railway Clearing House ? Explain " demurrage."

14. Explain the method of using a Delivery Book with printed Receive and Received Notes. What other ways of entering outward parcels are in use.

15. State the conditions under which the contract of limitation of a Railway or Canal Company's liability is not valid.

16. Do railway companies carry goods other than by goods trains ? If so, are the rates generally higher or lower ? What is the best way to send perishable goods ?

17. What is the nature of a Railway Consignment Note ? Name five different kinds. When is a consignment note not necessary ?

18. What is the name given to (1) a forwarder of goods ; (2) the person to whom goods are forwarded.

19. What is the meaning of the following abbreviations : O.R. ; C.R. ; G.W.R. ; L.S.W.R. ; G.N.R. ; Carr. pd. ; Deld. free ; Rly. ; Dely. ; O.H.M.S. ; C.H. ; R.S.O.

20. State fully the position which railway companies hold as carriers. (*N.U.T. Adv.* 1908.)

21. Why does it cost more to convey a ton of Worsted Coatings from Bradford to London than a ton of raw wool ? (*West Riding C.C.* 1899.)

22. On what basis does a railway company charge for conveying goods from one town to another ? (*West Riding C.C.* 1899.)

23. Who undertake to forward or carry parcels besides the G.P.O. ? (*West Riding C.C.* 1897.)

24. Write out a specimen label giving the particulars necessary for forwarding goods by rail, the consignee paying the carriage.

25. A box of goods is received from the railway company in a palpably damaged condition and compensation is claimed. Trace the steps to be taken until the matter is settled. (*West Riding C.C.* 1897.)

26. What do you understand by an exceptional railway rate ? Mention two kinds of goods to which such rates apply.

CHAPTER XI

EXPORTING

The export of merchandise is undertaken by three different types of Commercial Houses.

(1) By a Manufacturer or Wholesale Merchant who exports his own manufactures or wares to buyers or branch houses abroad.

(2) By Commission Agents who act as buyers for merchants abroad, assembling the different items of the indent or order received from their principals, and shipping them under their own invoice.

(3) By Packing and Forwarding Agents, whose duty is generally confined to receiving, packing and forwarding the goods sent to them by different traders in this country—the orders being received by those traders direct from the principal for whom the packing and forwarding agent acts.

In addition to these three classes there are the Branch Houses of Foreign and Colonial traders acting under the immediate control of the parent house.

In the early days of Colonial history (and the same remarks apply to the Foreign Trade years ago) Class No. 2 was a very important body of intermediaries (often combining the functions of a banker) carrying on a lucrative trade, the profits of which were derived by withholding a portion of the discount received from the manufacturers from whom they bought, and charging their principals, in addition to all out-of-pocket expenses, $2\frac{1}{2}$, 5, $7\frac{1}{2}$ per cent. or 10 per cent. (5 per cent. being the most usual charge) on the total value of the goods bought for them. But the wide dissemination of knowledge resulting from the extension and cheapening of the post and the telegraph, and the increased competition for business

which has occasioned so great an addition to the number of travellers and canvassers that even the smallest manufacturers are now served by them, has somewhat destroyed the reliance formerly placed upon merchants of this class. Colonial and foreign buyers are now as wise as the commission agents themselves, and, if of any importance, have direct accounts with the actual manufacturers, and secure the full benefit of any reduction in price that can be obtained. Hence the general tendency is for export business to be conducted by the manufacturers or wholesale merchants themselves, or, through Class 3 (the export packers and forwarders), leaving Class 2 (the Commission Agents) to act as buyers and exporters for the small foreign and colonial traders. It is clear that a manufacturer or Wholesale Merchant shipping goods direct will not only give his customers the best possible terms, but also charge them no more than the actual out-of-pocket expenses entailed in shipping the goods. But the buyer-on-commission, having no interest in the profits of manufacture of the goods and employing his own capital in the purchase of them, must charge a sufficiently large commission to cover interest on capital, working expenses, profits, and possible loss through bad debts. This commission is necessarily larger than is charged by the Packer and Forwarder, whose capital is not employed in buying the goods and who, when combining the business of shipping agent as he frequently does, is willing to transact the business on an even smaller commission than usual, his profit being made up by the percentage he earns upon the freight. It is easy, therefore, to see that in the natural course of events the business of the commission merchant is likely to be the first to suffer, and that sometimes when he is employed, a large part of the business should consist in the handling of enclosures on the value of which he receives merely a nominal commission—his full function of buying agent being restricted to "sundries," from the direct handling of which a manufacturer or wholesale merchant is not sorry to be exempt.

The student must bear in mind that the foregoing remarks are general in character, and that in the case of the great centralised markets for Metals, Produce, etc., where prices fluctuate daily and sometimes hourly, the skilled knowledge and power of prompt action possessed by the commission agent are indispensable.

In the case of very large Colonial or Foreign Importing Houses it probably pays best to have a branch office in this country, controlled by a partner of the firm, or by some representative resident

here, whose character and business acumen have been tested and approved by long experience at headquarters.

We will trace the procedure followed in the export of goods in each of the three cases mentioned above.

I. Goods Exported by Manufacturer or Wholesale Merchant

1. In response to a Price List or special offer disseminated abroad or through the agency of traveller or canvasser—

Messrs. James Finch and Sons, Boot Manufacturers, London, receive an order from Messrs. Adnitt and Sharpe, of Sydney, for an assortment of boots and shoes.

2. Full particulars are given upon the indent or order relative to price, shipping instructions, insurance, etc., as will be seen from a perusal of the indent on p. 185.

3. The goods are got ready for shipment, boxed and stacked in convenient sized square heaps (from the shipping point of view), on the floor of the warehouse. The packing-case maker is instructed to send a man to measure up the cases. This he does by means of a flat graduated 4 ft. wand, noting in his pocket-book the measurements required for each case. The following day 5 cases lined with oil baize are delivered to the warehouse, and the warehousemen proceed to pack the cases. Not every one can properly pack a case. It requires skill, for while the contents must be tightly packed together to prevent movement, and adequately protected by shavings or other soft material, they must not be so tightly wedged together as to be in danger of crushing. Besides, it requires a trained eye to see at a glance how a number of different sized packages are to be so placed in the case that the mass shall exactly fill it. As the cases are packed the warehouseman makes a note of the contents of each, and the packing-case maker's man proceeds to nail on the lids and hoop the cases. Then comes the marking. This is done by stencils cut in tin. A set of stencils comprises the letters of the alphabet, the numerals 0 to 9, set figures (such as hollow squares, diamonds, circles or more complicated figures), and the names and addresses of firms to whom Finch and Sons regularly or frequently ship goods. Adnitt and Sharpe gave no instructions for particular markings, so the cases will be addressed to them and numbered according to Finch and Sons own shipping book. The

118–120 George Street, Sydney.
August 11, 1910.

CODE—A.B.C.
CABLES—ADSHAR, SYDNEY.

Gentlemen,

Please supply the undermentioned goods.

ADNITT & SHARPE
J. C. Adnitt.

Messrs. James Finch & Sons, London.

From List No. 1298, *Nov.* 19.

36 prs.	G 35 Split Kip Derby, plain fronts, whole back, wrought hobs @ 4/3 pr.
48 prs.	G 42 Split Kip Navvy Tights, double tongues, heavy nailed @ 5/11 pr.
36 prs.	G 73 Men's Box Calf Open Tab Bal., st. cap., lin. ld., welted, "Imprimis" @ 9/6.
24 prs.	G 230 Glacé Kid Bals., ¾ gol., pat. pk. cap, M.S. @ 8/11.
36 prs.	G 237 „ „ „ „ self vamps, pat. st. cap., Louis heel @ 13/9.
36 prs.	G 307 Glacé Kid Oxford, pat. st. cap., French heel @ 7/11.
36 prs.	„ 303 „ „ Lorne, „ „ „ Louis „ @ 6/11.
2 doz.	„ 341 Patent A. C. Court Ladies Evg. Shoes @ 12/9 per doz. pr.
3 „	„ 396 Grain Gusset Slippers, leather T.P.H., M.S @ 28/6 per doz. pr.
72 prs.	„ 370 Glacé Kid, dual bar, jet beaded vamp and bars @ 6/11 pr.

Instructions.
Ship per first Mail Steamer.
Insure for 15 % above invoice value.
Terms as usual—10 % Qtly. a/c.
Draw at 60 d/s through Commercial Banking Co. of Sydney.

Note. Adnitt & Sharpe are regular correspondents of Finch & Sons. There is therefore no question of drawing against the B/L, but the goods will be charged to a/c, and settled by bill in the ordinary way.

stencil is laid upon the top of the case and rubbed over with a hard round, short-haired brush, the face of which has previously been lightly dipped in ink. Thus we now have five cases numbered 610 to 614, addressed to Messrs. Adnitt & Sharpe, 118–120 George Street, Sydney, N.S.W.

TELEGRAMS
"TANTAN, LONDON."
NO. 5916

TELEPHONE : 19986 HOP

109–116 NOBBS LANE,
BERMONDSEY, S.E.
October 29, 1910.

To the Superintendent of the *Tilbury Docks*

PLEASE TO RECEIVE AND SHIP ON BOARD
THE SS. *Orotava*
FOR *Sydney*
the undermentioned packages, and charge
to our account.

JAMES FINCH & SONS

Messrs. Adnitt & Sharpe
118–120 George Street, Sydney
610/614
} *5 Cases addressed*

4. The head warehouseman hands in his note of the contents of the cases to the export invoice department, and the particulars are then transferred to the shipping book. From this shipping book a shipping note (*see* above) is made out in duplicate, addressed to the superintendent of the docks where the carrying vessel is loading. In the invoice department lists of sailings of the different ss. lines will be found upon files suspended from the walls. We will assume that the s.s. selected is the Orient Line S.S. Company's ss. "Orotava," loading in the Royal Albert Docks. The cases are got aboard the van and duly delivered there, and the carman brings back as a receipt for the cases the duplicate shipping note signed by the receiving clerk at the docks. A set of four Orient Royal Mail Bills of Lading (three stamped with a *6d.* stamp and one plain) is

then purchased from the stationer, and filled in by the shipping department clerks. The B^s/L may be made out to the consignees, Messrs. Adnitt and Sharpe—in this case they would be because the consignees are known to be perfectly trustworthy—or the goods expressed as deliverable "unto order." If the B^s/L be "unto order," they must be endorsed by the consignors—Finch and Son—either "in blank" or to the order of another. (A set of bills costs 1*s.* 11*d.*, but it is customary to charge the importer 2*s.* 6*d.*) When filled in they are left with the shipping company, who sends them along to the docks, where the particulars are checked from the Docks Lading a/c. If all is in order, they are signed by a clerk on the captain's behalf. (*See* end of section "Affreightment.")

The captain keeps one unstamped copy and returns the three other stamped copies to the shipping company, who make out a bill for the freight, called a *freight note*, and forward it to the shipper. The shipping company on receipt of the amount expressed as due in the freight note, return the three B^s/L. to the shipper with the receipted freight note. (*See* p. 210.)

5. While the goods are in process of loading the invoice clerks are engaged in invoicing the goods. The invoice is made out in triplicate, exactly as an inland invoice would be, but with the addition of the marks and numbers of the cases, the name of the vessel carrying the goods, and at the end of the invoice the following charges for (*a*) cases ; (*b*) cartage, freight and primage, Bill of Lading and dock charges ; (*c*) insurance ; all of which are added to the charges for the goods.

The original and duplicate invoices, one of the bills of lading, the insurance policy and, in this case, a certificate of origin, are all fastened together and posted with a covering letter to reach Adnitt and Sharpe at the same time as, or prior to, the arrival of the goods. By the following mail the triplicate invoice and the remaining Bill of Lading, termed the Secunda Via, are posted to Adnitt and Sharpe so that in the event of the original and duplicate miscarrying they may fall back upon the triplicate.

Clearing Goods. Within six days from shipment all exported goods must be cleared at the Custom House. The clearance is effected by declaring the Marks and Nos. and the number and description of packages, the weight or quantity and description of the goods, the F.O.B. value and the final destination of the goods. If the goods are British or Irish the declaration is made on Form

TELEGRAMS: "TANTAN, LONDON." 109–116, NOBBS LANE,
CODE: A B C. BERMONDSEY, LONDON, S.E.
TELEPHONE: 19986 HOP. *October* 29, 1910.

MESSRS. *Adnitt & Sharpe*,

118–120 George St., Sydney, N.S.W.

Bt. of **JAMES FINCH & SONS,**

BOOT & SHOE MANUFACTURERS & EXPORTERS.

Per ss. "*Orotava*."

Marks and Numbers.	Quantities	Description.							
1 Case Addressed.	36 prs.	G. 35 Split Kip Derbys, pl. fronts, whole back, wrought hobs	4/3	7	13	0			
610	48 prs.	G. 42 Split Kip Navvy Tights, double tongues, heavy nailed	5/11	14	4	0			
							21	17	0
611	36 prs.	G. 73 Men's Box Calf Open Tab. Bal. st. cap, lin. ld., welted "Imprimis"	9/6	17	2	0			
	2 doz. prs.	G. 341 Patent A. C. Court	12/9	1	5	6			
	3 doz. prs.	G. 396 Grain Gusset slippers, leather T.P.H., M.S.	28/6	4	5	6			
							22	13	0
612	24 prs.	G. 230 Glacé Kid Bals., 3/4 Gol., pat. pk. cap. M.S.	8/11	10	14	0			
	36 prs.	G. 237 Glacé Kid Bals., self vamps pat. st. cap, Louis heel	13/9	24	15	0			
							35	9	0
613	36 prs.	G. 307 Glacé Kid Oxford, pat. st. cap, French heel	7/11	14	5	0			
	36 prs.	G. 303 Glacé Kid Lorne pat. st. cap, Louis heel	6/11	12	9	0			
							26	14	0
614	72 prs.	G. 370 Glacé Kid, dual Bar, jet headed vamp and bars	6/11				24	18	0
							131	11	0
		10 %					13	3	1
							118	7	11
		5 Cases Wood and Oil @	6/4	1	11	8			
		Freight and Primage 10/2/7, B/L 2/6							
		Cartage 10/9, Dock Charges 4/3		11	0	1			
		Insurance £136 @ 8/ %			10	11	13	2	8
		E. & O. E.					£	131	10	7

No. 29 (Sale), a white form. (*See* p. 211.) If the goods are Foreign it is made on Form 30 (Sale), a pink form, and the country whence the goods were imported for purposes of export must be stated.

We will now explain in fuller detail the character and purpose of some of the documents already mentioned, and also exemplify some other matters.

Certificate of Origin. In countries where a protective tariff is in force, *i.e.* where duties are levied upon goods imported, and where, as in the case of New Zealand, Australia, S. Africa and Canada, discrimination is made in favour of goods of British manufacture, a lower import duty being charged upon goods of British manufacture than upon foreign-made goods, it is necessary, in order that the importer may obtain the benefit of the lower duty, to make out and accompany the goods by a declaration, termed a Certificate of Origin, signed by the exporter, or his agent, in which the exporter having full knowledge of the manufacturer of the goods exported, testifies to their British make. These Certificates of Origin are obtainable from the Agents General of the Colonies or from Parliamentary law stationers, but British manufacturers who transact a large export business commonly have the official wording of these certificates printed on the backs of their invoices. The blank spaces are then filled in, and the declaration is signed by a member of the firm, manager or other responsible official. Certificates of Origin are also required for countries where no discrimination is made in favour of British goods. We append a specimen of these certificates. (*See* p. 212.)

Insurance Policy. We have assumed that a separate policy of insurance was taken out for this shipment. This may have been effected through Lloyds or a company. But the student will remember that a large shipper of goods would be almost certain to insure under a floating policy, and that in that case no separate policy would be received—the value of the shipment being simply declared by the shipper to the insurance broker or company, and the amount written off the outstanding balance on the floating policy. (*See* p. 190.)

The charge for the insurance would be made by the shipper to the importer, no matter how the insurance were effected, but in the event of the insurance being made under a floating policy, and loss of, or damage to the goods, occurring, the importer would look to

TELEGRAMS: "TANTAN LONDON."
CODE: A.B.C.
TELEPHONE: 19986 HOP.

109–116, NOBBS LANE,
BERMONDSEY, LONDON, S.E.
October 29, 1910.

To *Messrs. T. Y. Farwell & Co.*
Insurance Brokers,
62 Gracechurch Street, London, E.C.

DEAR SIRS,—We have shipped to-day the following goods, values, &c., as under, which please declare off policy. Kindly confirm, and oblige.—Yours faithfully,

JAMES FINCH & SONS.
p. *C. J. B.*

Marks.	Nos.	Contents.	S.S.	Packing.	Value.
Messrs. Adnitt & Sharpe, 118–120, George Street, Sydney, N.S.W.	610/614	5 cases boots and shoes	"Orotava" London to Sydney	Wood and oil	£136

the shipper to safeguard his interests, and not proceed independently by virtue of his policy.

Dock Charges. Large shippers do not separately pay the charges involved in loading their shipments, as the charges are usually of very small amount, but run accounts with the dock companies, starting the account by depositing a sum proportional to the extent of their shipping business, usually £20 or £30. Shippers are provided by the dock companies with pass-books similar to those issued by banks to depositors, and the dock charges are debited to them in these pass-books, each debit being set forth in detail by a dock invoice sent to the shipper at the time of loading the goods. (*See* p. 213.) When the pass-book shows that the deposit is nearing depletion a fresh deposit is made by the shipper upon application by the dock companies.

Packing Cases. An ordinary wooden case, though strong enough to stand a protracted yet fair voyage, is not waterproof. Hence if water gets into the vessel's hold, goods packed in wooden cases, lined only with a few sheets of brown paper, would run considerable

risk of damage. There are four sorts of packing cases known to shippers: (1) wooden cases; (2) wooden cases lined with patent material; (3) wooden cases lined with oil baize; (4) wooden cases lined with zinc. The patent and oil baize are waterproof materials (the baize more so than the patent), and as they completely encase the goods, the risk of damage by sea-water is considerably lessened by their use. Valuable goods are usually packed in wood and zinc, an ordinary wooden case containing a zinc lining, like a very thin cistern. The goods are packed inside the zinc lining and a sheet of zinc is soldered over the top, the wooden lid being afterwards nailed on.

A plain wooden	case costs about		2*d.*	per	cubic	foot
A wood and patent	,,	,,	,, $2\frac{1}{2}d.$	,,	,,	,,
A wood and oil baize	,,	,,	,, 3*d.*	,,	,,	,,
A wood and zinc	,,	,,	,, 4*d.*	,,	,,	,,

The extra cost of one kind of case over another is compensated for by a lower rate of insurance and increased safety of the goods. As we have pointed out, marine insurance is a contract of indemnity, and Colonial and Foreign merchants who order goods do so in the hope of realising a profit by their sale. Indemnity for loss or damage does not always fully cover loss of profits.

What is the cost of a wood and zinc case 4 ft. × 4 ft. 6 in. × 3 ft. at 4*d.* per foot.

$4 \times 4\frac{1}{2} \times 3 = 54$ cubic feet at 4*d.* = 18*s.* *Ans.*

Freight. Steamship companies, like railway companies, are not now so independent as formerly. The growth of steamship lines (British and Foreign) has brought down freight rates with a run, so much so, indeed, that the tendency is now for the steamship lines to form rings, the companies in the ring or combine agreeing upon minimum rates for freight, and offering to shippers who undertake to ship only by the lines forming the ring rebates of 5 per cent. or 10 per cent. from the amount of the freight paid to such company during the year. The rebate is sometimes made in half-yearly instalments, the companies preferring to keep something in hand as a hold upon the shipper. Where a merchant has a large shipment he can always obtain a special quotation for freight, unless the companies are so full up that they can afford to refuse a quotation. And if he has a very large shipment he can of course specially charter a vessel, and complete the cargo with other shippers' goods in the event of his own shipment not being a full cargo.

Freight is calculated at so much per ton measurement. A ton is taken as 40 cubit feet, except when the goods are weighty goods, *e.g.* metals, when to calculate the freight on the foot-ton basis would be disadvantageous to the shipowner. Freight on such goods is calculated upon actual weight. A percentage of 10 per cent. is added to the freight proper, to cover the cost of supervision during the operation of loading. This percentage is termed *Primage*, and though at one time it was especially charged for, it is now merged in the freight.

Freight Rates are variable and no useful scale can be furnished. Freight Rates per tramp steamers are between 10/- and 20/- per ton cheaper than by mail steamer. By sailers they are about half what they are by steamers.

Q. What is the freight on a shipment of six cases general merchandise each measuring $4' \times 4' \times 3'6''$ London to Bombay @ 40/- per ton.

$(4' \times 4' \times 3'\,6'') \times 6 = 336$ cub. ft.
40/- per ton = 1/- per ft.
∴ 336 ft. = . . . 16 16 0
Add 10 per cent. Primage . 1 13 7
Ans. £18 9 7

Freight is usually payable in advance, but sometimes not until the goods arrive at the port of destination (*see* Marine Insurance.)

Loading at a distant Port. Sometimes the vessel selected for carrying the goods loads at a port remote from the domicile of the shipper, *e.g.* a London Merchant might ship goods by a Cunard Co.'s boat sailing from Liverpool, or a White Star steamer from Southampton. In these instances the goods must be forwarded by rail and in addition to bearing the consignee's Marks and Nos. the cases must be addressed to the shipping company or the company's shipping agent at the port of loading, and the shipping Company or agent advised of their despatch. The shipping advice note must contain full particulars as to contents, and values, &c. in order to enable the Company or agent to clear the goods. (*See* p. 214.)

Loading by Lighter. In the case of big shipments it may be cheaper to load by water than to forward by road or rail: or, it may be desired, at the last moment, when the vessel is in mid-stream to get a particularly urgent consignment aboard the outgoing vessel. In such cases the shipper obtains as receipt for the goods—a document termed a *mate's receipt*. If the consignment is in order the

receipt is free from any exceptions, and is termed a *clean* receipt, but if the number of cases loaded does not agree with the number stated on the wharfinger's delivery sheet, or if any of the cases or packages are broken, note of the fact or facts is made upon the receipt, and it is then termed a *foul* receipt. These terms as applied to receipts are of course applicable to all receipts for goods. The mate's receipt is afterwards exchanged at the offices of the S.S. Co. for the Bill of Lading. (*See* p. 210)

Consular Invoices. Suppose that Finch and Sons had been shipping goods to a customer in the United States, say in New York, instead of to a customer in New South Wales, as in the case already illustrated. The New York importer naturally desires to obtain the goods with as little delay and trouble as possible. Hence he will instruct Finch and Sons to make out and send to him, in addition to the ordinary invoice of commerce, a form of invoice termed a Consular Invoice. In order to facilitate the levying of tariff on imports, the U.S. and other countries have constituted certain ports in their dominions Ports of Entry. At these ports of entry staffs of assessors and other officials are stationed whose duty it is to examine minutely all merchandise landed, and assess rigorously the duty payable. Finch and Sons will accordingly send to the American Consulate in London (other large shipping ports also have resident U.S. Consuls), and obtain a form of invoice, on one side of which is printed a declaration—the other side being ruled for particulars of the shipment. On the invoice side Finch and Sons give exact particulars of the contents of each case, and separately extend their values in the money columns. The values are totalled, and to this total the charges for cases, freight, &c., Insurance, and the cost of the Consular Invoice (10/4 in the case of the U.S.) are added. Finch and Sons then subscribe their name at the foot of the invoice, and the blanks in the form of Declaration having been filled in, a member of the firm proceeds to the office of the U.S. Consul and swears to the accuracy of the invoice before a Commissioner for Oaths. The Consul then affixes the Consular seal to the document. The invoice is made out in triplicate—each copy being sworn. The Consul keeps two of the copies, forwarding them to the officials at the particular Port of Entry at which the goods are to be landed, the remaining copy being retained by Finch and Sons. This copy is then attached to the ordinary commercial invoice, and forwarded with all the other relevant

documents to the New York importer. The U.S. custom authorities accept this sworn consular invoice as a true statement of the contents and value of the shipment, and also of the origin of the goods, and assess the duty upon that instead of opening and checking the contents of each case. They may occasionally test a particular case but the utility of such a document in saving time and trouble to the importer is apparent. Consular invoices are also necessary in the case of other countries, *e.g.* Argentine Republic (cost 5/-).

A Consul is a highly important official accredited to a foreign country, whose duty is to safeguard the commercial interests of the country he represents. He is a commercial attaché, who studies the economic conditions of the country to which he is accredited, reporting the results of his studies to the authorities at home, pointing out to them any new openings for trade that may arise, or the directions in which existing trade connections may be strengthened, or suggesting modifications in the commercial practice of his country the better to meet foreign competition. Being also in close touch with the Embassy of his country he has numberless opportunities of assisting his countrymen in perplexity or trouble, and of upholding the honour of his country and of strengthening the respect and esteem in which it is held by those amongst whom he is stationed. All commercially important countries have Consuls in the leading cities of the world.

Export Prices and Shipping Charges, &c. We assumed in the case of Finch's shipment to Adnitt and Sharpe, that the prices quoted for the goods, were "*loco*" or *spot* or *ex-warehouse* prices, that is, prices for the goods as they stood at Finch's warehouse. We accordingly added to the invoice all the out-of-pocket expenses incidental to shipping the goods. But loco, spot, or ex-warehouse prices are not the only prices quoted by merchants. They frequently quote F.O.B., C. & F., C.I.F., Franco or Free, and F.A.S.

F.O.B. Free on Board, that is to say the seller agrees to defray all expenses incidental to getting the goods into the ship's hold. His price for the goods accordingly includes the cost of packing, cartage or carriage to the docks, and dock charges.

C. & F. This abbreviation stands for cost and freight, that is to say a C. & F. price includes, in addition to the cost of the goods, all charges to the port of destination, with the exception of Insurance.

C.I.F. stands for Cost, Insurance and Freight, and is therefore the C. & F. price, plus the cost of Insurance. In commercial circles such a price is referred to as a cif (pronounced *siff*) price.

A *Franco* or *Free* price is a price which includes free delivery to the buyer's warehouse. Hence, in the case of countries levying an import duty on the goods, the price will include the duty, as well as the cost of conveyance from the ship's side to the consignee's address.

F.A.S. These letters stand for the word "free alongside ship." When goods are loaded from a lighter a charge is made for slinging the goods from the lighter to the vessel's deck. Hence a F.A.S. price includes cost of goods, lighterage to the ship's side, but not this cost of slinging.

It is obvious that when quoting any other than a loco, spot or ex-warehouse price, the additional costs involved must be added to the loco price for the goods. Assume that Finch had been asked to quote a C.I.F. price for 12 dozen pairs "Queen" Girl's Tan Boots, the loco price of which was 60/- per doz. net, then the C.I.F. price would be:

Loco. Price + (cases + cartage + dock charges + B/L + Freight and Primage + Insurance).

If a conservative estimate of the cost of the items within the brackets were £2 5s. then it would be necessary to add to the loco. price per doz. £2¼ ÷ 12 or 3/9, and quote the C.I.F. price at 63/9 per doz. The adjustment of the price is easy in a case of this kind where the goods consist of a single item, but where the goods quoted loco. consist of a number of different lines of varying quantities and prices it is better to express the addition to be made as a percentage of the total value of the goods, and add that percentage to each separate price. Though freight rates vary they are fairly stable for the different voyages, and manufacturers know, within narrow limits, from actual working, the percentage required to be added to cover the cost involved in the transport of their particular goods. Where this information is not available the extra costs to be added to the loco. price in respect of F.O.B., C.I.F., and Franco quotations are calculated according to the following expositions.

Question.—Make out a Franco Invoice for the following goods sold by Marcus and Bellamy, Bradford, to Signor Perrier, Leghorn: 8 Cases, each 45 pcs., 34 in. White Shirtings, Patt. No. 326, at

6*s.* 6*d.* per piece. Packing 6*s.* per case. Carriage to London and Freight (*through* rate) at 22*s.* per steamer ton and 10 per cent. primage. Each case measures 3 ft. 2 in. × 2 ft. 4 in. × 1 ft. 1 in. Marine Insurance F.P.A. 3*s.* 6*d.* per cent. (for 10 per cent. over invoice value) and stamp B/L and charges 4*s.* 9*d.* Import Duty, Lire 350. Exchange 25.45. Shipped from London per s.s. *Athenian* (West Riding C.C. Adv. 1909).

Working.—It may be assumed that a trader who asks for a *Franco* invoice has very little acquaintance with foreign weights, measures, and currency, so we will state the widths of the pieces in cm. as well as stating the price in Lire.

1″ = 2.54 cm. ∴ 34″ = 86.36 cm
45 pcs. at 6*s.* 6*d.* = £14 12*s.* 6*d.* ∴ 8 C/S
each of 45 pcs. = £117 0 0

The extra charges are as follows :—

Packing at 6*s.* per case . . .			2	8	0
Each case measures 3′ 2″ × 2′ 4″ × 1′ 1″ = 8 cub. ft. ∴ 8 C/S = 64 cub. ft., which at 40 cub. per ton and 22*s.* makes the freight . .	1	15	2		
Add 10 per cent. .	0	3	6		
			1	18	8
Insurance, B/L and Charges			0	4	9
				4	11 5
				£121	11 5

£121 11*s.* 5*d.* at Lire 25.45 = £1 = Lire 3094.00
Add duty . . - „ 350.00

Total Cost of Goods . . Lire 4444.00

Altogether there are 360 pcs. ∴ 1 piece =

$\frac{3444}{360}$ = Lire 9.566, say Lire 9.57.

Thus the *Franco* invoice would appear as follows :

INVOICE for 8 C/S White Sheetings sold to Signor Perrier, Leghorn, by Marcus and Bellamy, Bradford.
Per s.s. *Athenian* from London, 10/12/1910.

		Lire.	
P. *Leghorn* 1/8	*8 c/s each containing 45 pcs. 86.36 cm. White Sheetings, Patt. No. 326.* @ *Lire 9.57 per pc.* *Franco. Leghorn.*	*3445*	—

Question. Show the price per yard for the following shipment: (*a*) C I.F. Calcutta; (*b*) F.O.B. Birkenhead. Batley, 20th Dec. 1907. Shipped by Rowlands and Co. to P. M. Angula and Co., Calcutta.

P. M. A. & Co. Calcutta. 5 Cases, each containing 24 20/24 pieces, 48″ Coloured Vicunas, 48 yds. at 7¾*d.* per yd. Assortments of Black, Brown, Navy, Grey, Drab in each case. Deduct 1¾ per cent. discount.

4/- × 2½ × 4/- 4 cwt. 0 qrs. 0 lbs. per case.

Packing 12*s.* 6*d.* each case. M/U 9*d.* per piece. Fire Insurance ⅛ per cent. on £200. Carriage to Birkenhead, 15*s.* per ton wt. Dues at 6*d.* per case. Freight 35*s.* per ton measurement and 10 per cent. primage. Marine Insurance on £220 at 6*s.* 8*d.* F.P.A., and stamp. (Lanc. and Ches. Union Senr., 1908.)

Working.—48 yds. at 7¾*d.* per yd. = 31*s.* per pc.

∴ 24 pcs. = £37 4*s.* × 5 C/S =	£186	0	0
Less 1¾ per cent.	3	5	1
Net	£182	14	11

Charges are as follows:

Packing at 12*s.* 6*d.* per case	3	2	6
Making up, 9*d.* per pc. .	4	10	0
Fire Insce., ⅛ per cent £200	0	5	0
Carriage, Birkenhead: 20 cwt. at 15*s.* per ton .	0	15	0
Dues, 6*d.* per case . .	0	2	6

Freight—5 C/S 4/- × 2½ × 4/- = 173⅓, say 174 cub. ft. at 35*s.*	7	12	3
10 per cent. on freight	0	15	2
Marine Insce. £220 @ 6*s.* 8*d.* per cent. + policy .	0	15	5
	17	17	10
Deduct 1¾ per cent. allowed above	3	5	1

Total Charges to be added to Gross List Price . . £14 12 9

Since each piece is 48 yds., and there are 5 C/S each of 24 pcs., the total yardage is 5760. The charges (allowing for the discount to which the buyer is entitled) are £14 12*s.* 9*d.*, which divided by 5760 gives (roughly) ⅝*d.* per yd. as the amount to be added to the gross list price in order to give the price C.I.F. Calcutta. Thus, the total of the invoice C.I.F. Calcutta would be £201 againt a loco. invoice, with charges on, amounting to £200 12*s.* 7*d.* The F.O.B. price Birkenhead would include the following charges: Packing, Making-up, Fire Insurance, Carriage to Birkenhead, and Dock Dues. These, as already set out, are £8 15 0

Deduct 1¾ per cent., allowable from List Price . . . 3 5 1

Net Charges £5 9 11

£5 9*s.* 11*d.* ÷ 5760 = roughly ¼*d.* per yd. Therefore the F.O.B. Birkenhead price per yd. is 8*d.* Thus the invoice in this case would amount to £192 against a loco. price with charges on of £191 9*s.* 11*d.*

Consignment Accounts. Suppose that Finch and Sons, instead of a definite order from Adnitt and Sharpe, had received a letter from them suggesting that Finch and Sons should forward a quantity of goods to be sold on their behalf, and that Finch and Sons accepted the suggestion. The goods, called a *consignment*, would be shipped in the way described, but instead of an ordinary invoice, a *pro forma* invoice would be sent, *i.e.* an invoice the purpose of which is to give the consignee some idea of the minimum prices they must obtain for the goods. The consignment would not be debited to the con-

signee as an ordinary sale would, but would be charged up at cost and entered in a consignment ledger in an account headed, "Consignment to Messrs. Adnitt & Sharpe," and to this account would be debited all out-of-pocket expenses, incurred by Finch and Sons—the consignors—in shipping and insuring the goods. When, in due course, Adnitt and Sharpe had sold the goods they would render to Finch and Sons a statement, termed an "Account Sales" (A/S), showing the gross proceeds of sale, and the expenses incurred in effecting the sale, together with the amount of their commission or remuneration for their services. The expenses and commission would be deducted from the gross proceeds of sale, and a draft for the net amount enclosed with the account sales. On receipt of this account sales the consignment account would be credited with Messrs. Adnitt and Sharpe's remittance, and the balance between the two sides of the consignment account, either a profit or a loss, would be transferred to the Profit and Loss account.

I append forms, taken from "Book-keeping and Accounts," by L. C. Cropper, F.C.A., showing the necessary A/S and book entries in the case of a consignment made by Wilson Bros., of London, to Deniston and Co., Durban.

ACCOUNT SALES of 50 Cases of Manchester Goods received from WILSON BROS., London, per s.s. *Doric Castle*.

Mark.		£	s.	d.	£	s.	d.
	Proceeds 20 cases goods at £22 6 0	446	0	0			
	,, 21 ,, ,, £21 0 0	441	0	0			
	,, 9 ,, ,, £25 0 0	225	0	0			
					1112	0	0
	Less—						
WBL	Landing charges	4	0	0			
37c	Storage, insurance, and sundries .	14	5	0			
	Commission, 2½ % on £1112 .	27	16	0			
	Del Credere, 1 % on £1112 .	11	2	5			
					57	3	5
				£	1054	16	7

Note.—Draft £500 accepted against above consignment, Feb. 1, 1909, due May 4, 1909.

E. & O. E.
Durban, April 15, 1909.
Denniston & Co.

WILSON BROS.' LEDGER

Dr. Consignment to Denniston & Co., Durban Cr.

1909		£	s.	d.	1909		£	s.	d.
Jan. 1.	To 50 cases of Manchester goods invoiced at cost, £15 10s per case .	775	0	0	May 15	By Denniston & Co., net proceeds of consignment . .	1054	16	7
,, 1	,, Cash, Freight on above . .	24	10	0					
,, 1	,, Cash, Insurance . . .	5	0	0					
June 30	,, Profit on consignment transferred to Profit and Loss Account	250	6	7					
	£	1054	16	7		£	1054	16	7

Dr. Denniston & Co., Durban Cr.

1909		£	s.	d	1909		£	s.	d.
May 15	To Net Proceeds of consignment of 50 cases of Manchester goods	1054	16	7	Jan. 1	By Draft at 3 months' sight drawn against proceeds of consignment	500	0	0
					May 15	,, Cash (Bank Draft) . . .	554	16	7
	£	1054	16	7		£	1054	16	7

Del Credere. A definition of this is given under the heading "Sale of Goods," (see p. 141), but it may be repeated.

An agent for another is not responsible to his principal for bad debts, arising through default of the persons to whom he sells, and a principal being ignorant of the persons to whom the goods are sold cannot guide his agent as to who should and who should not be trusted. He, therefore, sometimes offers his agent an extra commission in consideration of which the agent assumes responsibility for bad debts, and pays his principal the price of all goods sold. This extra commission is termed *Del Credere*.

Drawing against Consignments. It is clear that goods shipped on

consignment, or sold on credit, involve a reduction in the working capital of the consignor. If they are his own goods they represent money expended in material and wages; if they have been purchased by the consignor for re-sale the purchase price is a liability that must be met, usually before he obtains the proceeds of sale from his agent. To obviate this withdrawal of capital, and also to ensure payment, a consignor frequently draws upon the consignee on account of the shipment (say for two-thirds, the balance of one-third offering a protective margin to the banker discounting the draft), and attaches the draft to the Bill of Lading or other shipping documents, all of which he hands over to the bank that purchases the draft under discount. Or he may draw for the full amount of his invoice and obtain an advance from a bank, at interest, up to two-thirds of the amount of the draft. The bank then forwards the draft and shipping documents to their agents in the consignee's city, and, if he be substantial, hands over the shipping documents to the consignee on his accepting the draft. In other cases the consignee can only obtain the shipping documents on paying the draft, subject, of course, to rebate for prepayment, or the bank may permit the consignee to pay for the goods by instalments, and release them to him piecemeal. A consignee can only obtain possession of the goods by presenting the B/L representing them, and when the documents relating to a shipment will only be given up upon acceptance by the consignee of the consignor's covering draft, the goods are said to be shipped "Documents against Acceptance" (D/A). When the documents will only be given up upon payment of the consignor's covering draft, the goods are said to be shipped "Documents against Payment" (D/P), or "Cash against Documents" (C/D). (*See* "Documentary Bills," p. 330, and also "Affreightment.")

Accounts Current. In the case of merchants having extensive dealings with Colonial and foreign traders it usually happens that considerable balances are outstanding from time to time. If these balances were in the hands of the respective traders they could be utilised for purposes of trade, or put out at interest with the banks. It is customary, therefore, for interest on the daily balances to be credited or debited, and usually at 5 per cent. Daily interest is calculated on the following formula:

Divide 36,500 *(the number of days in the year* × 100*) by the rate per cent., and use the quotient as the denominator of a fraction whose numerator is the number of Pounds multiplied by the number of days.*

For example: What is the interest on £515 10*s.* for 50 days at 4 per cent. p.a.? Answer is $\frac{515 \times 50}{36{,}500 \div 4} = £2\ 15s.\ 4d.$

Sometimes the interest is worked out for each separate item both debit and credit. It is not, however, necessary to do this. See the example on p. 203 of an A/C where the products of the amounts by the days for which they are outstanding are balanced exactly as the cash columns are, and one interest calculation suffices.

II. Goods Exported by Commission Agents

(*a*) Alexander Brown and Co., Commission Agents, London, received from Tanquerays Ltd., general merchants, Christchurch, N.Z., an indent for general merchandise, and by the following mail a duplicate for use should the first miscarry.

(*b*) Tanquerays Ltd., in their covering letter, advise Brown and Co. that they may expect to receive enclosures from two London, one Leicester, and three Glasgow firms, whose names and addresses they give, and that Messrs. Fife and Woodward, china manufacturers, Birmingham, have a shipment preparing which will probably be ready in time to be included with the goods requisitioned in Brown and Co.'s indent.

(*c*) Brown and Co. enter the indent in their journal, and afterwards file it upon Tanqueray's indent file. Most of the items are explicit, *e.g.* one gross Clarke's Pyramid Night Lights at 3*s.* 9*d.* per dozen; one dozen ea. Waterman's Fountain Pens $\frac{0196}{63s.}$ $\frac{0198,}{96s.}$, but some of the items leave room for Brown and Co. to exercise their own judgment, *e.g.* one $\frac{1}{4}$-Plate Camera suitable for out-door work, not to exceed £3 15*s.*

(*d*) The first thing Brown and Co. do is to make out, on their own order forms, orders for the different lines and send them to the manufacturers concerned. These order forms are bound up with counterfoils in book form. A piece of carbon is inserted between the order form and the counterfoil previous to making out the order, so that Brown and Co. have a record of each order sent out. We give below a copy of one of these orders from which the student will see that each order bears full directions as to (1) the marks to be placed on the parcel, (2) the date prior to which the parcel is to reach them, (3) the number of invoices required.

ACCOUNT CURRENT.

Dr. **WILSON, BROWN & CO., London, in account with MERRILIES BROS., Calcutta.** Cr.

Date.	Details.	Folio.	£	s.	d.	Days.	Product.	Date.	Details.	Folio.	£	s.	d.	Days.	Product.
1909.								1909.							
April 30	To Balance brought down . .		3000	0	0			May 25	By Cash . .	24	2000	0	0	25	50,000
								,, 26	,, Returns . .	361	100	9	0	26	2,600
May 3	,, Goods . .	36	400	10	0	3	1,200	,, 27	,, Goods . .	79	700	6	0	27	18,900
June 30	,, Interest . .	298	14	8	10		105,400	June 24	,, Cash . .	32	250	0	0	55	13,750
	$\left(\frac{£105{,}400}{36{,}500 \div 5}\right)$ = £14 8s. 10d.							,, 30	,, Balance . . £349 15s. 0d.					61	21,350
								,, 30	,, Balance carried down . .		364	3	10		
		£	3414	18	10		106,600			£	3414	18	10		106,600
1909.															
June 30	To Balance brought down . . .		364	3	10										

Taken from "Book-keeping and Accounts," by L. C. Cropper, F. C. A.

ORDER.

June 10, 1910.

No. 1069. 57 EASTCHEAP, LONDON.

ALEXR. BROWN & CO.

Commission Agents.

To Messrs. Simpson & Hayward,
16, *Soho Square, London, W.C.*

Please supply the following:

1 "Beaufort" Dinner Service, 96 pieces.

1 only Epergnes ea. $\frac{76^{s}}{10/9}$ $\frac{83}{15/-}$ $\frac{88}{22\ 6}$

Terms, usual.

Marks and Nos. T LD. Address to us as above.

Invoices port marked Christchurch.

Delivery not later than the 16th inst. If unable to despatch by that date, advise us, and await further instructions.

(*e*) In addition to making out and despatching orders for the miscellaneous items of the indent, Brown and Co. send postcards to the firms advised as having enclosures for Tanquerays Ltd. as follows:

> "We are advised by Messrs. Tanquerays Ltd. under date that you have an enclosure for them. Please see that the enclosure, marked T.LD. Christchurch, reaches us not later than the 16th inst., and that we get triplicate certified invoices with all discounts deducted *by post.* Should you be unable to despatch by the 16th please advise us and give date.
>
> ALEXANDER BROWN & CO.

All the firms have received full instructions from Tanquerays Ltd.; but Brown and Co. in their own interests confirm them. Brown and Co. also write to Fife and Woodward as follows:

> We understand that you have a shipment preparing for Messrs. Tanqueray Ltd. of Christchurch, N.Z. Please advise us when the shipment will be ready, also the number of cases, and we will then send you marks and numbers and full shipping instructions. Please note that certified invoices in triplicate with all discounts deducted are to be sent to us.
>
> ALEXANDER BROWN & CO.

(*f*) The orders sent out by Brown and Co. are duly filled and the goods received by them at their warehouse. Generally the parcels will reach there carriage paid, but if they pay carriage on any particular parcel note of the amount paid will be made upon the parcel. When the shipping date comes round all the parcels are opened and the contents checked off with the invoices, the extensions and additions of which are also checked. The prices in the invoices are then extended in the Journal against the items of the indent to which they refer. If carriage has been paid on any particular parcel the amount is entered at the end of the indent. It may happen that a particular item has not been received—the goods being out of stock, or the description being so faulty that the manufacturer was in doubt what to send, or the particular make has been discontinued. Brown and Co. will record the answers received in all such cases under or at the side of the items referred to, and if necessary request further instructions from Tanquerays Ltd. The enclosures will be entered in the indent at different points according to the particular case in which they are enclosed, and their values entered in a separate column from that containing the charges for the miscellaneous items of the indent. The values of Fife and Woodward's three cases (we will assume three) are also extended in the same column as the enclosures. The marks and numbers of these cases were supplied by Brown and Co. in response to Fife and Woodward's reply to the postcard; copy of which the student has seen. The numbers are the rotation numbers from Brown and Co's. shipping-book, and the cases were forwarded under their direction to the New Zealand Shipping Company, London, the Steamship Company being advised by Fife and Woodward to receive them on account of Brown and Co., who have sent the company their own shipping note. While the process of checking the parcels and extending the different items of the indent has been proceeding the warehousemen have been busy packing and marking the cases so that we now have Fife and Woodward's three cases at the docks and, say, four others ready for cartage to the docks, the whole being marked and numbered T. LD. 816/822. The same pro-

Christchurch, N Z.

cedure for shipping is gone through as previously described.

(*g*) Brown and Co. then make out Tanquerays' invoice in triplicate from the Journal, the contents of each case being separately shown. To each copy of the invoice one invoice relating to each enclosure

TEL. ADDRESS—"UBIQUITOUS, LONDON"
CODES—A.B.C. LIEBERS

57 EASTCHEAP,
LONDON.

Messrs. Tanquerays Ltd., Christchurch, N.Z.

October 14, 1910

Bot. of **ALEXR. BROWN & CO.**

GENERAL COMMISSION AGENTS & SHIPPERS

Per SS. *Arawa.*

			£	s.	d.	Enclosures 1¼ %. £	s.	d.	5 %. £	s.	a.	2½ %. £	s.	d.
T. LD.	1 gross Clarke's Pyramid Night Lights	3/9	2	5	0									
	15%			6	9									
Christchurch N.Z.	1 doz. each Waterman's Pens 0196, 0198		7	19	0							1	18	3
	63/- 96/- 33⅓%		2	13	0									
816	1 ½-plate "Demon" Camera, fitted tripod . . .								3	7	6	5	6	0
	1 doz. each Rodgers' "Acme" razors:													
	0196 bl., 0197 bl., 0198 ivory, 0199 ivory, 0246 ex. qual. .		12	9	0									
	42/- 45/- 48/- 54/- 60/-													
	15%		1	17	3									
	1 doz. each Ebony Hand Mirrors P119 P286 . . .		6	12	0							10	11	9
	48/- 84/-													
	10%			13	2									
	3 only "Wortley" Oak Writing Cabinets, 18½" × 13" . .	35/-	5	5	0							5	18	10
	3 " ditto, Nickel Mounted, 9" × 12"	16/6	2	9	6									
	1 doz. each assorted Fancy Work Baskets:													
	9" 10" 11" 12"		2	14	0									
	9/- 12/6 15/- 17/6													
			10	8	6									
	20%		2	1	8									
	1 "Beaufort" Dinner Service, 96 pieces											8	6	10
	1 only Epergnes each 76a, 83, 88													
	10/9 15/- 22/6													

	Manufacturers report "Beaufort" an old pattern long discontinued, and cannot trace ref. nos. for epergnes. Please send further particulars.													
	1 Enclo. from J. Simms, Leicester, as per invoice attached .					27	10	9						
						27	10	9	3	7	6	32	1	8
817	4 Rotary Knife-cleaners, S.F. 734, on stands, special . .	10/9							2	3	0			
	1 doz. Leather Roll-up Door Mats, ditto . each	4/9							2	17	0			
	3 „ 10-pint Range Kettles	23/6	3	10	6									
	10%			7	0									
	2 „ 10½" Hand-bowls	12/–	1	4	0				3	3	6			
	5%			1	2									
	1 Enclo. from Howard and Jones, London, as per invoice attached								1	2	10			
	1 ditto, John Wilson, London					14	10	2						
						12	7	0						
818	1 Enclo. from McVitie and Kerr, Glasgow, as per invoice attached					54	7	11	12	13	10	32	1	8
	1 ditto, James Buchanan, Glasgow					27	5	0						
	1 „ McConochie Bros., Glasgow					12	10	8						
						13	5	4						
						107	9	8	12	13	10	32	1	8
819	1 Case China Ware—Fife and Woodward, invoice attached.													
820	1 ditto					23	2	7						
821	1 ditto					19	10	8						
822	1 each All-brass Gongs—Job :					22	1	5						
	S 140, S 146, S 147, S 150, S 156, S 156a, S 157 . .								8	5	0			
	19/– 19/6 22/– 24/– 25/– 25/6 30/–													
	12 "Optimus" cooking stoves	22/–	13	4	0									
	5%			13	2				12	10	10			
						£172	4	4	33	9	8	32	1	8
	1¼% commission, 172/4/4 .		2	3	0							33	0	8
	5% „ 33/9/8 .		1	13	6									
	2½% „ 32/1/8 .			16	0							65	11	4
												4	12	6
	1 Case, 6/6 2 ditto, 4/–									14	6			
	Freight, 15/1/6 ; B/L, 2/6 ; Cartage, 4/9 ; Dock Charges, 5/6								15	14	3			
	Insurance, £275 at 8/3%								1	2	8	17	1	5
	E. and O. E.											£87	15	3
	ALEXANDER BROWN AND CO.													

and to Fife and Woodward's three cases is attached. The first and second copies of the B/L and Insurance Policy (if insured under a separate policy), are forwarded to Tanquerays Ltd. by the outgoing steamer (or first mail steamer if the carrying vessel is not a mail-boat), and the triplicate set with a duplicate B/L is forwarded by the following mail. We give on pp. 206 and 207 a copy of Brown and Co.'s invoice, a study of which will make the preceding exposition quite clear to the student.

III. Exporting by Packing and Forwarding Agents

The procedure in this case need not detain us long. In the place of Messrs. Brown and Co., Commission Agents, in the foregoing illustration let us put Messrs. Harding and Finch, Export Packers. Harding and Finch will do no buying. All the buying is done direct by Tanquerays Ltd., and the manufacturers from whom they buy are instructed to mark the parcels as directed and forward them with triplicate certified invoices similarly marked to Harding and Finch. Harding and Finch make regular weekly, fortnightly, or monthly shipments to Tanquerays Ltd. and close down on a particular day (generally a day or two days before the outgoing vessel sails). All the parcels received prior to closing down are then packed into cases, marked, numbered and shipped as before. The invoice is a simple affair, being little more than an enumeration of the enclosures contained in each case—their values being extended short in one of the money columns, the total of which, though shown, is not included in the total of the invoice itself.

The only material part of the invoice so far as Harding and Finch are concerned is the small commission charged upon the value of the enclosure ($2\frac{1}{2}$ per cent.; or $1\frac{1}{4}$ per cent. in the case of valuable shipments) and out-of-pocket expenses incurred for cases, freight, insurance, &c. We append an example: see p. 209.

Settling Accounts. As Tanquerays', in this case, do all their buying direct, they settle their accounts direct, either by paying the bills drawn upon them by the manufacturers who supply them or by remitting to them. But they may, for the purpose of settling accounts too small to be drawn for or remitted direct, keep their Packing Agents in funds, and remit their customers' orders on the Packing Agents, who, having paid out on the authority of these orders, forward the receipts to their principals by way of vouchers, filing the original orders amongst their own records.

TELEGRAMS: "HARDFIN, LONDON" 16-18 ROOD LANE, LONDON.
TELEPHONE: 1735 CENTRAL
CODES: A.B.C., X.Y.Z.

October 14, 1910.

Messrs. Tauquerays Ltd., Christchurch, N.Z.

In a/c with HARDING & FINCH

Shipping Agents and Export Packers.

T.LD. Christchurch.	Per S.S. "Arawa"									
816	1 Case containing Enclosures:									
	Clarke's Pyramid Light Co., Cricklewood	1	18	3						
	L. & C. Hardtmuth, London	5	6	0						
	The Ilford Photographic Co,. London	10	11	9						
	Joseph Rogers & Sons, Sheffield	3	7	6						
	Marion & Co., London	14	5	8						
	J. Simins, Leicester	27	10	9	62	19	11			
	as per invoices attached.									
817	1 Case Enclos.									
	Ford & Wilkinson, Birmingham	9	6	4						
	Howard & Jones, London	14	10	2						
	John Wilson, London	12	7	0	36	3	6			
	as per invoices attached.									
818	1 Case Enclos.									
	McVitie & Kerr, Glasgow	27	5	9						
	James Buchanan, Glasgow	12	10	8						
	McConochie Bros., Glasgow	13	5	4	53	1	9			
	as per invoices attached.									
819	1 Case China-Ware—Fife & Woodward, Birmingham, as per invoice				23	2	7			
820	1 ditto				19	10	8			
821	1 ditto				22	1	5			
822	1 Case Hardware — Telford & Co., Birmingham				20	15	10			
	as per invoice attached.									
				£	237	15	8			
	1¼% Commission on £237 15 8							2	19	5
	1 Case Wood and Oil, 6 6. 2 Cases Wood only, 4 -								14	6
	Frt. 242 ft.				15	1	6			
	B/L 2 6; Cartage 4 9; Dock Charges 5/6.					12	9			
	Insurance £275 @ 8/%				1	2	0	16	16	3
							£	20	10	2

OUTWARD FREIGHT DEPARTMENT

LIVERPOOL, *15th Nov. 1910.*

MESSRS. *Forder Bros. & Co., 33 Leadenhall St., E.C.*

DR. TO THE CUNARD STEAMSHIP COMPANY, LD.

		MEASR.											
		TONS	CWT.	QRS.	LBS.	FT.	INCH	RATE	FREIGHT £	FREIGHT s.	FREIGHT d.	TOTAL £	TOTAL s.	TOTAL d.
B.S.														
New York 60/64	*5 cs. Books*	*1*	*2*	*2*				*20'-*	*1*	*3*	*0*	*1*	*3*	*0*

N.B. Any objection to this a/c must be lodged within a week after date or no allowance can be made.

MATE'S RECEIPT

RECEIVED FROM *J. LACEY & SONS' Craft*
ON BOARD THE *ss. Montezuma.*
FOR *St. John, N.B.*
IN GOOD ORDER AND CONDITION.
ON A/C *Messrs. Robt. Anderson & Sons.*

K.K.

London, Ont. *400.*

K.K.

Hamilton. *100. Five Hundred Boxes Dates.*
For Canadian Pacific Railway Co.
Atlantic SS. Lines.

ALONGSIDE *Noon 24/11/1910*
DISCHARGED *7/30 p.m. 24/11/1910* *A. J. Scott.*

NOTE. This form is the Wharfingers' (J. Lacey & Sons) own and made out by them, and is signed on behalf of the SS. Company (Canadian Pacific Railway Co.), by A. J. Scott, who is either the mate of the "Montezuma" or his Clerk.

H M CUSTOMS AND EXCISE.

Port of London Ship's Name Orotava Master, for Sydney

No. 29 (Sale).

Date of Final Clearance of Ship

* SPECIFICATION for British and Irish Goods only

* The Specification of Goods exported must be delivered to the proper Officers within six days from the time of the final clearance of the Ship, as required by the Customs Laws.

Marks.	Nos.	Number and Description of Packages.	Description of British and Irish Goods in accordance with the requirements of the Official Export List.	Net Weights or Quantities	Value† (f. o. b.)	Final Destination of the Goods.
Arnold Sharpe 113-121 George St Sydney 610/614		5 cases	Boots + Shoes	32 doz pairs	£132	Sydney
				TOTAL VALUE		

† The "f. o. b." or free on board, value should be given.

We declare that the particulars set forth above are correctly stated.

Dated 29th October 1918 (Signed) James Rush Sons ‡

(Address) 109-116 Robbs Lane S.E

‡ Adding Exporter, or Agent, as the case may be.

(Countersigned) Officer of Customs and Excise.

Exportation Code, Para. 360. Secy Customs, 1000/Type

EXPORTING

211

FORM OF COMBINED CERTIFICATE WHICH MAY BE USED ON INVOICES OF GOODS FOR ENTRY UNDER THE BRITISH PREFERENTIAL TARIFF.

(1) Name of person signing the certificate.
(2) Insert the words partner, manager, chief clerk, or principal official, giving rank as the case may be.
(3) Name and address of exporter or exporters

I, (1) James Gardiner
hereby certify that I am (2) Manager
of (3) James Truscott Sons, 14 Little Britain London E.C.
the exporter (s) of the articles included in this invoice, and that I am duly authorised to make and sign this certificate on behalf of the said exporter (s)

(4) Name of exporter or exporters.
(5) Name of party or parties to whom articles invoiced.
(6) Insert in words at length the total value of the invoice.

I have the means of knowing and I do hereby certify that this invoice from the said (4) James Truscott Sons to
(5) Williams, Son & Doyle of Montreal amounting to
(6) Eighty Seven Pounds Ten Shillings
is true and correct, that all the articles included in the said invoice are *bonâ fide* the produce or manufacture of one or more of the following countries, viz.:—

(7) Names of the countries where the articles have been produced or manufactured, being countries entitled in Canada to the benefits of the British preferential tariff.

(7) Gt. Britain

and that a substantial portion of the labour of one or more of such countries has entered into the production of every manufactured article included in the said invoice to the extent in each article of not less than one-fourth of the value of every such article in its present condition ready for export to Canada.

That the said invoice contains a true and full statement showing the price actually paid or to be paid for the said goods, the actual quantity thereof, and all charges thereon.

That the said invoice also exhibits the fair market value of the said goods at the time and place of their direct exportation to Canada, and as when sold at the same time and place in like quantity and condition for home consumption, in the principal markets of the country whence exported directly to Canada, without any discount or deduction for cash, or on account of any drawback or bounty, or on account of any royalty actually payable thereon or payable thereon when sold for home consumption but not payable when exported, or on account of the exportation thereof or for any special consideration whatever.

That no different invoice of the goods mentioned in said invoice has been or will be furnished to anyone; and

That no arrangement or understanding affecting the purchase price of the said goods has been or will be made or entered into between the said exporter and purchaser or by anyone on behalf of either of them, either by way of discount, rebate, salary, compensation or in any manner whatsoever other than is shown in the said invoice.

Whereas German goods are subject to a surtax in Canada, I certify that the chief value of none of the articles included in this invoice was produced in Germany

Signature James Gardiner

Dated at London
this Twenty third day of
November 1908.

NOTE.—Exporters are carefully to observe the above instructions on THE MARGIN when making their Certificates of Invoices.

EXPORTING

37 A Cyle & Sons Ltd (6) London Dock, General Office Department. Export Ledger 14 Folio 400 — 4000

Dr. to the **PORT OF LONDON AUTHORITY.**

N.B.—Cheques to be crossed LONDON COUNTY & WESTMINSTER BANK LIMITED.

	Pounds	Shillings	Pence			
24 aug 1910	Per Lusitania JD 10 bases Syrup.					
	Wharfage & Porterage	13. 1. 6 @ 5/10 6			3	7
	Measuring		1 2d			10
	Marking Lisbon		1 2d			10
Ex L.R.	Opening for Customs' inspection		£	·	5	3
Ent. G.M.						

NOTICE.—*Goods not Shipped* within *Three Weeks* will be subject to the CHARGE OF RENT. VITRIOL, ACIDS, LUCIFER MATCHES, or other GOODS of a DANGEROUS or COMBUSTIBLE NATURE, sent to these Docks without the quality and description being clearly marked on the outside of the package, will subject the Shipper to a Penalty of £20.

IMPORTING

2 Messrs S Hanson & Sons (7) London Dock General Department, Ledger 158 Fo. 370 — 1963

Dr. to the **PORT OF LONDON AUTHORITY.**

N.B.—Cheques to be crossed LONDON COUNTY & WESTMINSTER BANK LIMITED.

24 aug 1910 Ex Prince George Rotation No. 1909/2342.

S.H.S. 20 bases Pears @ 10 } = £4/3/6 ton Landing Housing & delivery }	·	2	2

Pounds, two Shillings and two Pence.

Ex aff.
Ent. J.G.

TELEGRAMS : "RIVSAM, LONDON"
TELEPHONE : 1567 HOLBORN

12–14 FETTER LANE,
LONDON, E.C.

14th Jan. 1910

Messrs. *The Cunard SS. Co. Ld.*
Liverpool

DEAR SIRS,

We have this day forwarded to you per *L. & N. W. R Goods* the undermentioned packages which please ship asper instructions annexed.

Yours faithfully,
JAMES ROPER & CO.

per G.B.

Marks & Nos.	Steamer.	Particulars.	Consignees.	Value.	Insurance.
H.B.N. *New York* 156/162 7 Cs.	"*Lucania*" 16/1/1910	7 Cases Heavy Woollen Goods 1450 yds.	Messrs. H. B. Norton & Sons 18–19 Broadway, New York	£290	—

Post Card Acknowledgment from SS. Co.

LIVERPOOL
15th Jan. 1910

We beg to acknowledge receipt of your shipping advice dated *yesterday* which has our attention.

THE CUNARD SS. CO. LD.
C.W.B.

TEST PAPER XI

1. Name the three types of business houses carrying on the exportation of goods, and explain the differences in the invoices rendered by each.
2. What is an indent and from what is it made out?
3. What is a shipping note? Give an example and state what difference there is, if any, between a shipping note for goods shipped at a dock near to, and one remote from, the warehouse of the shipper.
4. Describe the procedure by which a shipper obtains signed B^s/L from a steamship company.
5. What is a Freight Note? Draw up a specimen Freight Note.
6. What do you understand by clearing goods?
7. What do you understand by a Certificate of Origin and a Consular Invoice? When and why are they necessary?

8. Mention the two kinds of policies given in the previous chapter under which a shipper could insure his goods.

9. What are Dock Charges and how are they usually treated for book-keeping purposes? Mention two instances where dock charges would arise.

10. Give the various kinds of packing cases used by shippers and calculate the cost of the following: 2 C/s 2′3″×2′4″ × 4″ @ 3*d.*; 3 C/s 4′6″ × 4′ × 4′2″ @ 2*d.* What advantages accrue to a shipper or consignee from the use of the more expensive kinds of cases.

11. What is a Mate's Receipt and under what circumstances does it arise? Explain a "clean" and a "foul" receipt.

12. Explain the functions of a Consul.

13. Explain the following prices: F.O.B.; C & F.; C.I.F.; Franco; F.A.S.; F.O.R.

14. If 18 rolls of cloth each of 50 yds. are quoted F.O.B. 9*d.* per yd. and the cases cost 18*s.* 6*d.*; cartage 5*s.* 6*d.*; Dock charges, 4*s.* 9*d.*; Insurance, 2*s.* 3*d.*; Freight, Primage and B/L, £2 18*s.* 10*d.*, show how you would arrive at a quotation C. & F. and also C.I.F.

15. What is a Consignment? Explain, without giving ruled illustrations the book-keeping entries necessary when a consignment is made and also the method of settlement. How does a consignor sometimes ensure payment for his consignment or quickly recover the use of capital expended in making the consignment.

16. What is an $\frac{a}{c}$? In what way does it differ from an ordinary ledger account as between Dr. and Cr.

17. Calculate the following: Interest on £180 10*s.* 6*d.* for 40 days @ 3%; on £876 15*s.* for 80 days @ 6%; on £315 12*s.* 6*d.* for 90 days @ 5%.

18. What would be the amount for freight on the following: (*a*) 4 cases each 3′ 4″×2′ 6″×3′ 9″ @ 36*s.* and 10%; (*b*) 5 bales each 2′ 9″×4′ 3″ ×3′ 3″ @ 32*s.* and 10%; (*c*) 3 cases each 3′ 5″×4′ 2″×2′ 3″ @ 19*s.* and 10%. (*West Riding C.C. Inter.* 1909.)

19. What is a C.F.& I. Invoice. Show how the price would be arrived at when quoting C.I.F. (*West Riding C.C.* 1909.)

20. State the following facts in the form of an Account Current: William Simpkins and Co., London, sell goods to J. Ghosh, of Calcutta, as follows: Aug. 7, £348; Aug. 18, £291; Dec. 10, £375. Remittances are received as follows: £375 due Sept. 10 and £400 due Nov. 29. Allow interest Dr. and Cr. @ 5% p.a., and show balance at Dec. 31. (*West Riding C.C. Adv.* 1908.)

21. A shipment of produce is being made by a firm in Argentina to a firm in London. The terms are cash against documents. Describe (*a*) What the documents referred to are; (*b*) How they would reach the London firm. (*Lancs. and Ches. Union Senior*, 1909.)

22. Show an example in full of a Shipping Advice. (*Lancs. and Ches. Union Senior*, 1909.)

23. Draw up in proper style and form an Account Sales for the following produce shipped from Jamaica per steamship *Port Kingston*, by Arnold and Co., and consigned to Jones and Co., Bristol: 25 cwt. Ginger @ 65*s.*; 1200 lb. Pimento @ 2¾*d.*; 50 cwt. Beeswax @ 155*s.*; 200 lbs. Sarsaparilla @ 1*s.* 3*d.*; 200 tons Logwood @ 85*s.*; 50 tons Fustic @ 60*s.* Charges Warehousing and Wharfage, £10 5*s.*; Advertising, £5 13*s.*; Brokerage, 1% (*Lancs. and Ches. Union Senior*, 1906.)

CHAPTER XII

IMPORTING—CUSTOMS AND EXCISE; FREE TRADE AND PROTECTION

Hitherto we have considered the exportation of "Free" British goods, *i.e.* goods on which no duty is payable to the Government, and which may therefore be transferred freely from place to place, and exported subject only to the Customs regulation that all goods shall be "cleared" within six days of shipment. As the question of Government Duty enters into both Import and Export transactions (an import of returned British beer involves repayment of the Excise Drawback Allowance paid on export, and an export of British manufactured tobacco involves the question of Customs Drawback), it is better perhaps to treat the subject in a separate section here than to divide it, and deal with Customs Duty in the Import section, and Excise Duty in the Export section.

The British Government exacts two kinds of duty:

(1) A duty on certain classes of imported goods which may be enumerated under seventeen heads, viz. Beer, Spirits, Wine, Playing Cards, Chicory, Chloroform, Chloral Hydrate, Cocoa, Coffee, Collodion, Dried and Preserved Fruits, Ether, Ethyl, Naphtha, Sugar, Tea and Tobacco. This duty is termed *Customs Duty.*

(2) A duty on Beer, Spirits and Chicory manufactured in the United Kingdom. This duty is termed *Excise Duty* or *Inland Revenue Duty.*

The greater part of the Customs duties are, like the Excise duties, levied for purposes of Imperial Revenue, but they are divided into three classes:

(*a*) Ordinary import duties, (*b*) import duties to countervail excise duty on British spirits, (*c*) import duties to countervail stamp duties on British made articles, *e.g.* Playing Cards.

Drawback : Debenture. Both Customs and Excise Duties are only levied on these classes of goods if the goods are utilised for home consumption. Consequently, when (1) excisable articles on which excise duty has been paid are exported, and (2) imported dutiable goods on which import duty has been paid are re-exported, the exporters or re-exporters are entitled to a return of the duties paid. In (1) the return is known as *Excise Drawback;* in (2) it is called *Customs Drawback.* Drawback is paid upon a document termed a *Debenture*, upon which the exporter or his agent subscribes a declaration that the goods mentioned and described therein have actually been exported, and have not been re-landed and are not intended to be re-landed in any part of the United Kingdom, and that such person at the time of entry and shipping was and continued to be entitled to the drawback thereon. A debenture is a negotiable instrument, *i.e.* the person in whose favour the debenture is made out may sign and transfer it to another, who, on signing it, will be paid the amount expressed.

Health Regulations. Every vessel from overseas arriving off a British Port must, before she is allowed communication with the shore, show "a clean bill of health."

She is boarded by a Customs officer, who inquires of the Master or Surgeon her first port of lading, the port she last left, whether she got *Pratique* there (*Pratique* is permission to hold communication with the shore granted after sanitary inspection or quarantine), whether any cases of death or sickness, particularly cholera, yellow fever, plague or other fever—have occurred during the voyage, &c. If the replies are unsatisfactory she is detained, and should subsequent inquiry by the Board of Health officials lead to the conclusion that she is an "infected" ship she is ordered to quarantine station; if, on the other hand, the replies are satisfactory she is allowed to proceed to her unloading berth.

Rummaging. The Customs officer searches or "rummages" the vessel, placing dutiable stores under crown locks or seals. All passengers' baggage is unshipped in his presence, and by his permission, and taken to the baggage warehouse for examination. Passengers must declare all dutiable articles in their possession, and pay the duty assessed upon them. Where there is no attempt at concealment, and dutiable articles are discovered in excess of the quantity allowed for personal use, and the passenger is unwilling or unable to pay the necessary duty, the goods are sent to the

King's warehouse at the Custom House and held there "in bond." If the duty is not paid within a reasonable time the goods are sold and the proceeds pass to the Government.

Report. Within 24 hours of arrival at a British port the master of every ship from across seas is required to "report" his vessel to the Collector of Customs. The form (No. 1 Sale) on which the report is made (*see* p. 235) provides for, amongst other things, detailed particulars of the ship's cargo—goods for other ports, and goods to be transhipped or to remain on board for exportation, being separately enumerated. When this report, or *manifest*, is passed the ship is given a special number, termed a *Rotation number*. Rotation numbers start from No. 1 on the first day of every year. This rotation number with the year appears on all books and papers connected with the ship, on the Dock landing account, the official customs forms and delivery orders. The cargo is then discharged by the Dock Company under the eyes of Customs officials. The dutiable goods imported, are either cleared for Home Consumption, and duty paid per Prime Entry (*see* p. 240), or alternatively, are transferred under Government supervision to Bonded stores or warehouses, either at the Docks or elsewhere, as indicated by the importers, on official warehousing forms termed "Entry for Warehousing" (*see* form, p. 240). The non-dutiable goods are cleared by the importers on a form headed "Entry for Free Goods" (*see* form, p. 238), delivery from Customs being taken at the ship's side. Free Goods are either immediately removed by the importer or warehoused at the Docks or elsewhere as he may direct; for once the Customs delivers goods from custody he is free to dispose of them as he wishes.

Bonded Stores or Warehouses. These warehouses are buildings owned privately, or by Joint Stock Companies. They are built to Government requirements, and are under the joint control of the Customs and the Proprietors. Their owners give bond in large sums to the Government as a guarantee that the warehouses shall be properly conducted. Each floor and compartment of these stores is separately numbered, and the reader who has inspected the exterior of these buildings may remember to have seen the doors on the different floors lettered and numbered, *e.g.* A1, A2, A3, and so on. Goods stored in these warehouses are said to be, "*In Bond*," and can only be released from bond by the importer or owner of the goods paying the proper duty. The

goods are gauged, tested, weighed, sorted, sampled, &c., and prepared for market, exactly as they would be if they were in the owner's possession, but the operations are carried on under immediate Government supervision. If the student were to go to the London Commercial Sale Rooms on Sale Day, or to a firm of wholesale grocers, he would find upon the little desks of the Sale Room, or upon the benches of the warehouse, a large number of sample packets marked, *e.g.* "Ex *Java* 15/10/1910, Fenning's Wharf," ready for inspection by prospective buyers. These samples, in the case of dutiable goods, are drawn from bond. It will be readily understood that if the duty on dutiable goods had to be paid immediately the goods were landed, the financial strain on the importer would be such as very few could stand. The difficulty is got over by warehousing the goods in these bonded stores, and paying the duty on such portions of them as are from time to time required for home consumption. Dutiable goods may be sold and the ownership of them transferred from one to another, just as if they were in the seller's own warehouse, but they remain in bond till the duty is paid.

Landing Goods. The goods are landed by the Dock Company's servants, and immediately numbered, weighed and examined. The numbers and gross weight, tare, and net weight of the packages appear in the Dock Landing Account (*see* form, p. 236), and where the examination has revealed any damage to the goods, the damaged packages appear at the end of the account, with remarks as to the character of the damage. A surveying officer then examines the damaged goods and issues a *Certificate of Survey* (*see* form, p. 237). This certificate is put in evidence by the importer or the shipper when claiming indemnity from the insurance company (*see* Marine Insce.). Dutiable goods removed to bonded warehouses are not fully examined by the Customs officers prior to removal, but a certain percentage of free goods and of dutiable goods required for immediate use is examined prior to delivery.

Bonds. It has already been explained that the proprietors of bonded warehouses enter into a bond with the Customs as a guarantee that the warehouses shall be properly conducted. Inasmuch as the trade in dutiable goods involves their being transferred from warehouse to warehouse, or from warehouse to ship, or from ship to ship, and this transference may be effected either by land or water, special classes of carriers exist, known as *Bonded*

Carmen and *Bonded Lightermen*. These bonded carmen and bonded lightermen also enter into a bond with the Customs as a guarantee that they will perform their duties in strict accordance with regulations. Similarly, the owners of dutiable goods enter into bonds with the Customs in respect of the following operations: (1) The exportation of dutiable goods; (2) the transhipment of dutiable goods; (3) the removal of dutiable goods from one bonded warehouse to another. In (1) the bond is taken on a *white* form, in (2) on a *pink* form, in (3) on a *green* form. A specimen bond for transhipment of dutiable goods is shown on p. 252. This bond is called an *Ordinary Bond*, *i.e.* it is a bond relating to one particular transaction. But merchants may also enter into a *General Bond* for a large sum sufficient to cover the whole of their transactions. Bonds are stamped as follows:

Where the penalty does not exceed £10	3*d.*
Exceeding £10 and not exceeding £25	8*d.*
,, £25 ,, ,, £50	1*s.* 3*d.*
,, £50 ,, ,, £100	2*s.* 6*d.*
,, £100 ,, ,, £150	3*s.* 9*d.*
And in every other case	5*s.* 0*d.*

Bonds for the removal, exportation, or shipment as stores of any goods, are not stamped.

We will now deal with the procedure in the following cases:

(1) When importing non-dutiable or free goods.
(2) When importing free goods for immediate export.
(3) When importing dutiable goods, delivery of which is taken overside.
(4) When importing dutiable goods to be warehoused at the port of entry.
(5) When importing dutiable goods to be warehoused at a port or place other than the port of entry.
(6) When importing dutiable goods to be immediately re-exported.
(7) When removing dutiable goods from one bonded warehouse to another.
(8) When exporting dutiable goods *ex* bonded warehouse.
(9) When exporting dutiable goods by parcel post.

(1) **Importing Free Goods** (*see* p. 238, No. 23 (Sale.) "Entry for Free Goods"). This form relates to a shipment of 100 bags whole cleaned rice imported per *Sperber*, from Rangoon, by

J. Jones, 101 Mark Lane, E.C. Jones received the Bill of Lading from the exporters, and also the invoice for the shipment. As soon as the *Sperber* was reported alongside Brewer's Quay, he filled up this form in duplicate, one copy, termed the *Warrant*, written out in full as shown, and one with quantities stated in figures, termed the *Bill*. The two forms were taken to the Custom House, signed and stamped by the proper officer there, who retained the *Bill*, and either handed back the Warrant, or sent it to the Customs officer in charge of the *Sperber*. The Warrant is the authority to the Customs officer to release the goods, which are taken away either in Jones' own van or lighter, or by a carman or lighterman acting for him, or the goods are warehoused. If delivery is taken overside the form is made out in triplicate, and the word "overside" is written at the top left-hand of the form. The student will note that the value declared is the C.I.F. value, or if the goods are on consignment the latest market value of the goods. The description and classification of the goods is that adopted in the Official Import List, drawn up by the Customs for the guidance of importers when clearing goods. This official Import List is the basis on which the statistics of the Import trade published by the Board of Trade are compiled.

(2) **When Importing Free Goods for Immediate Re-Export** (*see* pp. 238–9, No. 15 (Sale) "Entry for Free Goods in Transit on Through Bill of Lading," and No. 16 (Sale) "Specification for Foreign Goods Free of Duty in Transit on Through Bill of Lading"). These forms relate to a shipment of fifty cases sardines, fish cured in oil, imported by James Fawn and Sons per *London* from Setubal, on a through Bill of Lading. as being in transit for a foreign port. As already pointed out (*see* p. 218) shipments in transit are marked as such on the Bill of Lading, and the master of the importing vessel when making his report enters them separately. Form No. 15 is made out in duplicate, Warrant and Bill, as already described in the previous case, taken to the Custom House and after examination signed and stamped by the officer there. On receipt of the Warrant by the Customs officer in charge of the *London*, the importing vessel, the goods are, without examination, transferred by licensed carman or licensed lighterman acting for the importer to the *Tomsa*, the exporting vessel, for conveyance to Sydney, the carman obtaining a signature to his shipping note, or the lighterman a mate's receipt, as the case may be. The importers, James Fawn

and Son, clear the goods by filling up form No. 16 (Sale), just as goods of British manufacture are cleared by the shipper filling up Form 29 (Sale).

(3) **Importing Dutiable Goods—Delivery taken Overside.** *See* p. 240 (No. 22 (Sale) "Entry for Home Use *Ex* Ship)." This form relates to a shipment of 50 ¼-cases currants imported by H. Williamson per *Tenedos* from Patras. It is termed a *Prime Entry*, and is made out in duplicate—Warrant and Bill—as previously described. The duty on currants is 2*s*. per cwt. so that on 19 cwt., the weight mentioned on the prime entry, the duty is £1 18*s*., as there shown. This weight is not necessarily the actual dutiable weight, but it is an estimated weight obtained before the goods are landed. If, on the goods being actually weighed and tared, the duty paid on the prime entry is found to be in excess of that due, then an *Over-entry Certificate* is made out, and on being passed by the Customs the excess duty paid is refunded. On the other hand, if the amount paid on the prime entry was less than that due, then a *Post Entry* in duplicate on the same kind of Form is passed, and the goods are released on the importer paying the balance of duty due. The student will see printed at the top of the prime entry form shown, the words "(If Post) Prime Entry No. . . dated . . ."

(4) **Importing Dutiable Goods Warehoused at Port of Entry.** *See* p. 240 (No. 46 (Sale) "Entry for Warehousing.") This form relates to a shipment of 100 boxes Raisins of the estimated weight of 20 cwt., value £70, imported per *Pelago* from Malaga by Howard and Jones. It is made out in duplicate. The officer in charge of the *Pelago*, on receipt of the warrant, directs the removal of the goods to the bonded warehouse—"London Wharf"—where they are examined, weighed and tared.

(5) **Importing Dutiable Goods to be Warehoused at a Port or Place other than the Port of Entry.** *See* p. 241 (No. 46a (Sale). In this case Howard and Jones have imported 50 boxes Dried Plums from San Francisco per *Westmeath*, but instead of warehousing them in London, the port of entry, at the unloading dock, they desire the goods to be warehoused in Dublin. They accordingly give bond to the Customs that the goods shall be duly warehoused there within ten days from delivery of the goods, *i.e.* they bind themselves under seal that if the conditions of removal are not fulfilled to pay the Customs the sum mentioned in the Bond. The

penalty of the bond for goods removed coastwise is based on single duty of the consignment. Bond having been given, and Form No. 46a having been filled up in duplicate the Clerk of the Bonds at the Custom House signs and stamps the form 46a, and this becomes the authority to the Customs officer in charge of the *Westmeath* to release the goods to Howard and Jones's lighterman for conveyance by ship to Dublin.

(6) **Importing Dutiable Goods for immediate re-export.** *See* pp. 242–5 (Form No. 51 (Sale) "Trans-shipment Delivery Order," Form No. 49 (Sale) "Bond Note for Trans-shipment and Exportation," Form No. 38 (Sale) "Shipping Bill for Trans-shipment Goods only.") Special Bond (on *Pink* Paper) for trans-shipment of dutiable goods, or General Bond. Where goods are sent to a British Colony a further Form No. 59, headed "Trans-shipment Goods," is required. These Forms are used where dutiable goods are imported on a through B/L, or where the B/L is marked "In Transit." In this case they relate to a shipment of 50 chests of Tea imported per *India* from Colombo on a through B/L by Sainsbury and Co. to be re-exported to New York. Sainsbury and Co. fill up Form No. 38, the "Shipping Bill," which is retained by the Crown. They also give ordinary Bond (if no general Bond is in force) but in this case a general Bond exists. They also fill up Form No. 49, the "Bond Note for Trans-shipment and Exportation," which after being signed and stamped by the Clerk of the Bonds is sent to the Customs officer in charge of the importing vessel, the *India*, together with a "Trans-shipment Delivery Order"—Form 51—directing the removal, under the supervision of a Customs officer, of the 50 chests Tea from the *India* at the R.A. Docks to the officer of Customs in charge at Tilbury Docks, where the exporting vessel, the *Minnetonka*, is loading for New York.

(7) **Removal of Dutiable Goods from one Bonded Warehouse to another.** *See* pp. 246–8 (Form No. 520, "Request Note and Permit or Certificate," Form No. 498, "Warrant and Warehousekeeper's Order.") These Forms relate to a puncheon of Rum warehoused "in bond" at the Western Vaults, London Docks, which Flynn and Co. the importers, desire to be conveyed to and warehoused at C2 Bond Warehouse, Dublin. Flynn and Co. fill up the warrant Form No. 498, and also the Request Note Form No. 520. The Clerk at the Custom House signs and stamps the warrant, and sends it with the Request Note to the Customs officer at the Western Vaults.

The officer then signs the Request Note, and the Warehouse-keeper's Order; and the goods are then removed by the carman and transferred to Dublin. Similar procedure is followed in the case of dry goods.

(8) **Exporting Dutiable Goods Ex Bonded Warehouse.** (*See* pp. 249–52. Form No. 504 "Dry Goods for Exportation," is the form used by the exporter when giving notice to remove the goods. On the back of this Warrant the exporter fills in particulars of the goods, the subject of the request, and at the foot of it, perforated, so that it can be detached, is the order to the Warehouse keeper which he also fills in. He then fills up Form No. 64 (Sale), the Shipping Bill. The weight of the goods stated on the Shipping Bill, and at the back of the Warrant, is the actual weight of the goods, and may vary from that stated on the front, which is the covering weight given in the "Entry for Warehousing"—Form 46 (Sale). In addition to these documents bond is required, and in this connection an ordinary bond is shown on white paper for export. A surety, usually a Broker or a Bonded Carman or Lighterman, is required for the Bond, and the name of the surety also appears on the Warrant. After scrutiny of the Warrant it is stamped and signed by the Clerk of the Bonds, and then Warrant, Warehouse-keeper's Order and Shipping Bill are either taken or sent to the officer in charge where the goods are warehoused. The officer at the Station keeps the Warrant, while the Warehouse-keeper's Certificate, after being signed by him, is sent to the Warehouse-keeper at the Wharf, who on presentation of it releases the goods to the Bonded Carman or Lighterman. They are then taken by the latter, with the Shipping Bill, to the dock where the export vessel is loading, in this case the *Inkosi*, at West India Dock, and produced to the *Searcher* or outward Customs officer. This official retains the Shipping Bill, while the Carman or lighterman obtains a signature to his shipping note, or a Mate's Receipt, as the case may be.

(9) **Exporting Dutiable Goods by Parcel Post.** (*See* pp. 253–257.) In this case also the Warrant, Warehouse-keeper's Order and Bond mentioned in (8) are required. In addition, the exporter fills up a "Form of Request" No. 57 (Sale), a Certificate of Posting, Form 58 (Sale) and a "Despatch Note" and "Customs Declaration." The Despatch Note and Customs Declaration are retained by the Post office and the official at the Post Office receiving the parcel

signs and stamps the Certificate of Posting. This Certificate is then forwarded to the Customs officer stationed at the warehouse from whence the goods were released, as evidence that the conditions of the Bond have been duly fulfilled.

The following brief explanations of technical terms commonly met with in connection with Customs dealings will be useful :

Station. A warehouse or group of warehouses under the control of a surveyor or supervisor of customs.

Obscuration. The difference (caused by matter in solution) between the true strength of spirits and that indicated by the hydrometer.

Gauging is the process for finding the quantity of liquid any cask is capable of holding, and also what it contains when partially full. The former is called the *content*, the latter the *ullage*.

Vatting. Putting together wines or spirits in a vat or large vessel to obtain uniformity of character.

Blending. Putting together wines or spirits of similar sorts.

Mixing. Putting together wines or spirits of different sorts.

Racking. Drawing off wines or spirits from one cask or vessel into another.

Filling. Making good natural waste in casks of wine or spirits by adding liquor of the same or similar kind.

Chop. A parcel of China tea consisting of a number of packages of tea of like quality, arranged in a bonded warehouse for the purpose of being dealt with.

Bed or Break. A sub-division of a *chop* of China tea, or a parcel of Indian, Ceylon or other tea of one mark and quality arranged for taring.

Bulking. An operation usually performed in the case of Indian and Ceylon teas, and also with coffee, cocoa, &c. The contents of the cases are turned out upon the floor, and thoroughly mixed by means of wooden spades, and the mixture is then repacked in the cases. Each case thus contains tea or other goods of an even quality. Extra cases created when *bulked* goods cannot be entirely returned into the original packages, are termed *overtakers*.

Re-packing. Changing the packages in which goods are contained.

Garbling. Sifting or separating bad or damaged portion of goods from the sound and good portions.

Bill of Sight. When an importer has no information as to the

description, quantity and value of any goods, *i.e.* when the shipper has failed duly to advise the importer of the shipment, and to forward the Bill of Lading, the importer may subscribe a declaration before the collector or other proper officer, and then make an entry for the goods by *Bill of Sight* (Form No. 21), filling in the particulars required by the form. This Bill of Sight serves as a warrant for the provisional landing of the goods. They are examined by Customs officers in the presence of the importer or his agent, and within three days of their being landed, and before delivery of the goods, the importer or his agent must endorse on the Bill of Sight similar particulars to those required for perfect entry. The Bill of Sight thus endorsed, signed by the importer or his agent, and countersigned by the collector, is accepted in lieu of perfect entry. Bills of Sight are taken out in the Long Room, so called because it is a *long* room.

Jerquer. A Jerquer is a Customs officer whose duty it is to search vessels for dutiable articles. Similarly, the officials in the Customs House who search and check off a vessel's report with the entries for warehousing, entries for home consumption, entries for free goods, and the Shipping Bills for trans-shipment goods, or goods on through Bill of Lading, are termed Jerquers, though their work is really in the nature of audit work.

Clearance Inwards. When a British vessel engaged in the foreign trade has discharged her import cargo, the Waterguard officer rummages the vessel, checks the stores with the record in the Blue Book, and deals with them in accordance with the stores' regulations. He also, if the regulations have been complied with, issues the Ship's Clearing Note and Stores Certificate. A copy of the Clearing Note is forwarded by the examining officer to the office of the "Principal Searcher," and is used for the entry outwards of the vessel. This is clearance inwards.

Clearance Outwards. The Master of the ship makes out a declaration on Form 10, and delivers it to the proper officer, together with the certificates, if any. The officer files the paper or papers, with a copy of the report inward, if any, of any goods reported for exportation in the same ship, and the victualling bill. These papers are attached and sealed to a label giving the number of the vessel's certificate, the name of the ship, the name of the Master, the date of clearance. The Collector signs this label and the papers thus sealed and signed are the authority for the

departure of the ship. Clearance outwards would be refused where dock or harbour dues had not been paid, or the vessel was not provided with the necessary life-saving apparatus, and in other cases.

The Port of London. The student should remember that the procedure set forth in this chapter is the procedure followed in London, which frequently varies from that of other ports in the United Kingdom. London Port is unique. It has developed on no settled plan, but as its trade expanded, so private enterprise added dock to dock and warehouse to warehouse, with the result that the Port is a congeries of docks and warehouses, scattered over a very wide area. About one half the shipping coming up the Thames discharges in the river itself, either at moorings in the stream or at one of the 320 wharves which line the river. The other half discharges in the docks. Omitting a few small docks owned by railway companies and The Regent Canal Co., there are, on the north side of the river, the St. Katherine Docks, the London Docks, the West India Docks, the East India Docks, Royal Victoria Docks, Royal Albert Docks, Tilbury Docks, and on the south side, the Surrey Commercial Docks. Another point to be noted is that a considerable part of the trade of London Port is purely a *transit* trade. The Customs rules and regulations applicable to London have accordingly been framed to meet the peculiar exigencies of its trade and circumstances. These rules and regulations are necessarily minutely exacting in order to safeguard the interests of the Crown. But the authorities are not dead to the increasing competition of the great Continental Ports, Hamburg, Bremen, Antwerp and Rotterdam, and the strain to which London is subject in order to preserve its transit trade. Hence full facilities are accorded to shippers and others, the customs and requirements of particular trades are considered, and, where there is no reason to suppose that the interests of the Crown are jeopardised, regulations which would otherwise be rigorously enforced are not always insisted upon. The great Continental North Sea Ports, owing to their comparatively recent rise, and also to Government support, are in some particulars better equipped and offer greater facilities to shippers than London. Until March 1909, the London Docks, the first of which, the West India Dock, was opened as far back as 1802, were the property of heavily capitalised private com-

panies, which had apparently reached their utmost limit of usefulness and development. But a great step forward has been taken by the passing of the Port of London Act, 1908. Under this Act all the docks have been taken over by a newly constituted body, the Port of London Authority, who have also assumed for that part of the Thames below Teddington all the rights, powers and duties of the Thames Conservancy, formerly the authority for maintaining the river channel by dredging, governing and regulating navigation, removing wrecks, and controlling the making of piers, embankments, and other works abutting on the river. The new authority has also assumed the functions of the Watermen's Company, which, till the passing of the Act of 1908, licensed all lightermen navigating the river. Thus both the Docks and the Waterway are now under Government control, and great improvement in the administration, preservation and equipment of the Port of London may be expected.

Free Trade and Protection

Free Trade, Tariffs and the Most-Favoured Nation Clause. As already stated, Customs and Excise Duties are levied by the British Government for revenue purposes. The articles on which duty is raised, though articles of general consumption, are, in the main, not necessaries of life, though some, *e.g.* sugar, tea, cocoa, dried fruits, may almost be regarded as belonging to that category. Seeing that the articles taxed are not grown or manufactured in this country, or if they are, are equally taxed whether imported or home-grown or manufactured, and that the tax is returned if the articles are used for foreign consumption, these taxes give no advantage to the British over the foreign producer, or *vice versâ*. Hence Great Britain is known as a *Free Trade Country*. There are, however, taxes levied by Foreign and Colonial Governments on imported articles, the object of which is not solely to raise revenue, but also to establish particular industries in those countries, and thereafter to protect them from the competition of foreign manufactures. Such taxes are termed *Protective Taxes*, and the countries adopting them, *Protected Countries*. Schedules are drawn up of every known commodity, and import duties are fixed in respect of each, at varying percentages on their market value. Where this course is followed the duty is called an *ad valorem duty*, *i.e.* a duty charged "according to the

value" of the goods imported; where, as in Great Britain, the duty is at a stated rate per unit of weight, volume or measurement, it is called a *specific duty*. In some countries both kinds of duty are levied and sometimes on the same article. These schedules are known as *Tariffs*. Most protected countries have two scales, a maximum and a minimum tariff. The maximum tariff is levied upon imports from those countries with which the importing country has no commercial treaty; the minimum tariff applies to those countries with whom a commercial treaty has been entered into. Great Britain has negotiated agreements with almost every country in the world (the first was that with France, carried through by Mr. Cobden in 1860), and her exports are allowed to enter under what is known as the "*Most-Favoured-Nation Clause*." This clause is self-explanatory and runs somewhat as follows:

"*No other or higher duties shall be imposed on the importations into the dominions and possessions of His Britannic Majesty of any article the growth, produce, or manufacture of the dominions and possessions of , from whatever place arriving, and no other or higher duties shall be imposed on the importations into the dominions and possessions of of any article the growth, produce, or manufacture of His Britannic Majesty's dominions and possessions, from whatever place arriving, than are or shall be payable on the like article the growth, produce, or manufacture of any other foreign country.*" So that, so far as Great Britain is concerned, whatever lowering of tariffs may result from agreement between two protected countries, any benefit obtained by either of them, beyond that enjoyed by other countries, must be shared by Great Britain, and conversely, any reduction granted by Great Britain to a foreign country must be extended to all countries with whom this clause operates. It is because British goods are allowed to enter foreign countries under the most-favoured-nation clause that our exporters are so frequently required to attach certificates of origin to their invoices.

Bounties, Subsidies. Foreign countries adopt other means of fostering native manufactures besides imposing tariffs. They grant *Bounties*, or *bonuses*, to their manufacturers. Thus the Government of Canada pays to Canadian manufacturers of wire rods, to be used in Canada for further manufacture, a bounty or bonus of $6 per ton, and also a bounty on the manufacture of pig iron, steel billets, and the production of lead; France pays a bounty to her ship-builders. Other methods for the achievement of the same ends are: (1) the

payment of *Subsidies* (such, *e.g.* as those paid by Germany towards the upkeep of her ocean liners), and (2) *Special Legislation*, *e.g.* where a country enacts that goods must be imported and exported in native bottoms. Great Britain now pays neither bounties nor subsidies. The arrangement with the Cunard Steamship Co. is more in the nature of a loan against security, and for the provision of vessels which, in time of war, may be utilised as auxiliary cruisers. Other arrangements with Steamship Cos. are made by the P.M.G. for the carrying of the Royal Mails. In these cases the payments made are for services rendered, and not for the purpose of facilitating competitive warfare with the carrying companies of other countries.

Preference. Where a country, *e.g.* Canada, charges a lower rate of duty on goods imported from the United Kingdom than that charged on goods imported from other countries, or allows the goods of the United Kingdom to come in free, while subjecting the goods of other countries to duties, Canada, or any country following either course, is said to give a *Preference* in favour of the United Kingdom.

The Conditions Governing the Growth of Industries It is an economic truism that industries flourish best in those parts of the world most adapted for them, and that commerce flows chiefly along the highways nature has provided. Hence the trade of a country is determined by (1) its *natural advantages*, *e.g.* climate, the existence or non-existence of forests, minerals, oil and nitrogenous deposits; the character of its soil and the area available for the cultivation of cereals, roots, fruits, the raw materials of manufactures, and for the upkeep of flocks and herds; the extent and character of its coast line, and the absence or abundance of natural harbours and navigable waterways; (2) its *Geographical Position*, *i.e.* its position relative to the great land masses of the globe, and the large centres of population; (3) the *number and characteristics of its inhabitants*, whether they be few or many in number, whether energetic or lethargic, quick or dull-witted, thrifty or prodigal, laborious or pleasure-loving, &c; (4) the *education of its inhabitants*, *i.e.* the degree to which the natural abilities of the people have been trained and developed by technical education, and how far the discoveries of science have and are being applied to the improvement of manufacturing processes; (5) *internal and external communications*, *i.e.* the extent to which roads, canals, railways, telegraphs and telephones, docks, steamship lines, and cable services have been provided; (6) *Capital*, *i.e.* the amount of surplus wealth available for the

expansion of old and the inauguration and carrying on of new enterprises.

The Extent to which these Conditions apply to the United Kingdom. Thus, in the case of the United Kingdom (1) it possesses a temperate and equable climate, has about 3,000,000 acres of woods and plantations, but of forest as understood in Canada, Russia, Australia, and other great timber-producing countries, it has none. Coal exists in large quantities, and though the production, consumption and exportation of coal is enormous, a re-assuring statement as to the probable duration of our coal-fields has been issued by a Royal Commission. There is much Iron Ore, though some of the best veins are exhausted, and supplies are now drawn from Spain and Sweden. Limestone, which together with Coal and Iron Ore go to the making of Pig Iron, the basis of Steel, is abundant. There are many varieties of stone and granite and much slate. Tin, Lead, Copper, Zinc, Pyrites and Gold, are also mined, but the annual output of these is not large. The United Kingdom has no oil-wells, and is badly off for nitrates used for manures. Its soil is fertile, and crops suitable for temperate climates do well, as also do Flocks and Herds and Horses. But the extent of the crops, and the numbers of its sheep and oxen are conditioned by the limitations of its area, the total extent of which is 120,000 square miles, or roughly, 77,000,000 acres. The area under grass and crops is about 48,000,000 acres. There are about 11,000,000 acres occupied by towns, roads, and pleasure-grounds, and about 15,300,000 of mountains and heath-land, bog, barren scrub and water. These with the 3,000,000 acres of woods mentioned above comprise the total. The United Kingdom consists of several islands whose coast-lines affords many good natural harbours. There are some rivers easily accessible from the sea, the Thames in particular affording forty-three feet of water up to Tilbury (twenty-three miles from London) and thirty-seven feet almost up to the City of London itself, about fifty miles from the sea. These depths are in process of extension.

As to (2) geographical position, the United Kingdom is ideally placed, occupying almost the centre of the Northern land hemisphere. (3) Its population is dense, being over 42,000,000, or about 350 persons per square mile. The people are intelligent, energetic, capable of easily adapting themselves to changed conditions, law-abiding, ambitious, and on the whole strike the happy

medium between the love of work and the love of play. (4) Its artisans are as skilful as any in the world, and its manufacturers and great organisers of labour as sagacious and as resolute as any; but much, very much, yet remains to be done in the matter of technical education, and in applying the lessons and discoveries of the laboratory to the arts of manufacture. (5) Its internal communications, roads, canals, railways, telegraphs and telephones leave little to be desired from the point of view of extent, but the Canals are somewhat neglected, and the freight charged by Railway Companies might, and could, in many cases be reduced, but for the wasteful competition of the companies themselves, which shows itself in every form of rivalry except a reduction of rates. It is probable that the near future may witness great improvements both in the facilities offered by the Railway Companies, and in their charges, as also in the re-organisation and extension of the Canals. The Docks of the United Kingdom are the most extensive in the world, and in London are in process of re-organisation and improvement. The tonnage of its mercantile marine is over 50 per cent. of the whole shipping tonnage of the world. It includes the largest and the swiftest of the world's steamers, and its ships cover every sea. (6) As to Capital the United Kingdom with one exception is the richest country in the world. Its accumulations of capital are not only ample for all requirements, but immense sums are annually invested in Foreign and Colonial enterprises.

Appended are the statistics of the Import and Export Trade of the United Kingdom for the year 1908, taken from the statistical abstract for the United Kingdom, Cd. 4805. (Cd. is an abbreviation of the word "Command." State Papers are divided into different classes. The statistical abstract belongs to the class of *Command Papers*.) The student is advised to study them in the light of the foregoing remarks. It may be mentioned that in addition to the exports shown, there are our exports of services and of capital—Shipping, Commissions, Indian Service Charges, Loans—stated on p. 403 at roughly £190,000,000.

A

FOOD-STUFFS

Imports.	£	*Exports.*	£
Grain and Flour	71,103,487		3,522,912
Meat including Animals for Food	65,050,254		1,052,701
Other Food and Drink, Butter, Cheese, Eggs, Fish, Fruit, &c.	48,704,613		
Other Food and Drink, dutiable, *e.g.* Sugar, Dried Fruits, Spirits, Wine, &c.	43,451,868		15,962,044
Tobacco	4,944,511		1,399,994
	£233,254,733		£21,937,651

See note attached to Table B.

B

Imports. Raw Materials and Manufactures thereof: Mainly Raw Materials:	*Value* £	*Value* £	*Exports.* Manufactures and Raw Material thereof: Mainly Manufactures:
Cotton, Raw	17,584,686	95,055,513	Cotton Mfrs.
Cotton Yarns and Fabrics wholly or partly mfd.	7,679,034		
Wool, Raw	17,686,707	2,662,151	Wool waste and partly mfd. Wool
Woollen Yarns and Fabrics wholly or partly mfd.	8,393,351	28,391,922	Woollen mfrs.
Silk, Jute, Flax, Hemp &c., Raw	10,570,775	245,471	Silk waste, Flax, dressed or undressed
Silk, Jute, Linen, Lace, Velvet, &c. partly or wholly mfd.	14,853,235	12,410,049	Manufactured Silk, Jute, Linen, Lace, Velvet, Ribbon, &c.
Iron ore	4,960,827	413,349	Iron ore.
Iron and Steel wholly or partly mfd.	7,396,709	37,406,028	Iron and Steel mfd.
Machinery	3,452,361	30,699,516	Machinery, exclusive of Ships.
Other Ores—Copper, Gold, Lead, Manganese, Silver, Tin, Zinc, Iron and Copper, Pyrites, &c.	8,335,705	71,777	Other Ores.
Brass, Copper, Lead, Platinum, Quicksilver, Tin, Zinc, &c. mfd. or partly mfd.	18,526,096	8,856,472	Mfrs. of other Ores.
	£149,439,486	216,512,248	

N.B. The value of the Imports is the C.I.F. value; the value of the Exports is the F.O.B. value. Therefore the amount of the Exports is less than it should be in order to offer a true comparison with the Imports, by the amount of the Freight and Insurance. The amounts in the column headed Imports, have been got by deducting from the gross Imports the re-exports to the colonies and foreign countries. Here too the resulting values are not exactly correct, for the reason given.

C

Imports. Other Raw Materials.	£	£	*Exports.* Other Raw Materials.
Coal, Coke, and Patent Fuel	3,716	41,615,923	Coal, Coke and Patent Fuel
Oil Seeds, Nuts, Fats and Oils	23,734,342	3,091,825	Gums, Grease, Oil refined or unrefined, Oil Seeds
Wood and timber	23,687,745	98,218	Wood and Timber
Hides and undressed Skins	4,428,084	1,424,760	Hides and Undressed Skins
Paper-making Materials, Rags, Esparto, Wood, Pulp &c.	4,542,000	543,977	Rags and other Paper-making Materials
Miscellaneous: Asbestos, Cork, Gutta Percha, Hair, Manures, Seeds, Plants, Ivory, Precious Stones &c.	12,590,342	2,215,048	Fire-Clay, Seeds, Bladders and Casings, Sausage Skins and unmfd. goods unenumerated
	£69,006,229	48,989,751	
Other materials wholly or partly manufactured.	£	£	Other Manufactures.
Cutlery and Hardware, Implements and Tools, Clocks, Watches, Hollow Ware, Scientific Instruments other than Electrical, &c.	3,160,684	5,492,463	Cutlery and Hardware, Implements and Tools, Hollow Ware, Scientific Instruments, &c.
Electrical Goods and Apparatus	1,131,207	1,943,104	Electrical Goods and Apparatus
Mfrs. of Wood and Timber including House Frames and Furniture	1,750,144	1,256,805	Furniture and Cabinet Wares and mfrs. of Wood of all sorts
Apparel, Slops, including Boots and Shoes, Hats, Bonnets, &c.	3,524,516	8,852,775	Apparel and Slops, Boots and Shoes, Hats and Bonnets
Chemicals, Drugs, Dyes, Soda, Compounds, Painters Colours, &c.	8,401,163	16,271,089	Chemicals, Drugs, Dyes, Manures, Sulphate of Ammonia, &c., Painters, Colours, Soda Compounds, &c.
Leather mfrs. (excluding Boots and shoes) Gloves, &c.	9,829,686	3,826,258	Leather mfrs. (excluding Boots and Shoes), Gloves, Saddlery and Harness, Machine Belting, &c.
Earthenware, Glass and Porcelain	3,496,680	3,700,037	Earthenware, Glass and Porcelain
Paper, Mill, Straw and Pulp Boards	5,649,644	2,314,967	Writing and Printing Papers, Wall-papers, &c.
Miscellaneous mfrs: Arms and Ammunition, Works of Art, Books, Bricks, Candles, Motor Cycles, Motor Cars, Carriages, Matches, Soap, Starch, Stationery, Prints, &c.	22,563,968	29,610,943	Miscellaneous Mfrs.
Miscellaneous and Unclassified, including Imports by Parcel Post	2,099,494	5,828,258	Miscellaneous and Unclassified, including Exports by P.P.
Ships, new	17,136	10,567,475	Ships, new
	£130,635,571	138,653,925	

N.B. See note to preceding Table.

CUSTOMS AND EXCISE

No. 1 (Sale).

H.M. CUSTOMS AND EXCISE

If Sailing Vessel or Steamer

REPORT.

No._____

Official Number

Number of *Register*

Port of

Date of *Registry*

Ship's Name	Tonnage	British or Foreign, if British, Port of Registry; if Foreign, Country to which she belongs	Number of Crew: British Seamen	Number of Crew: Foreign Seamen	Name of Master, and whether a British or Foreign Subject	Port or Place from which arrived.
Queenmore	5000	British	50		A. Carson British	Colombo
		Total				

CARGO.

1 Name or Names of Places where laden in order of time	2 Marks	3 Nos	4 Packages and Descriptions of Goods. Particulars of Goods stowed loose, and General Description of Contents of each Package of Tobacco, Cigars or Snuff, intended to be exported at this Port.	5 Particulars of Packages and Goods (if any) for any other Port in the United Kingdom.	6 Goods (if any) to be transhipped or to remain on board for exportation.	7 Name of Consignee.
Colombo	C		Three Thousand Chests Tea	—	—	The Ceylon Tea Company Ltd 12a Mincing Lane EC

If any wreck or derelict was taken in with, or picked up or lumber observed, or any casualty to the vessel occurred during the voyage, particulars to be stated.

STORES.

Surplus Stores remaining on board, viz.:

Tobacco, Cav.	lb.	Spirits	galls.	Playing Cards ...	packs.
" O.S.	lb.	Cordials or Liqueurs	galls.	Sundry low duty goods	
" Cigarettes	lb.	Perfumed Spirits	galls.	Live Stock ...	
" Unmanufactured	lb.	Wine	galls.		
Cigars	lb.	Saccharin ...	oz.		
Tea	lb.				

Number of Passengers (if any) British ____ Alien ____ Total Number ____

Pilots' Names ____

At what Station Ship lying ____

Agent's Name and Address ____

I declare that the above is a just Report of my Ship and of her Lading, and that the particulars therein inserted are true to the best of my knowledge, and that I have not broken bulk or delivered any Goods out of my said ship since her departure from , the last Foreign Place of Loading.*

(Signed)

Signed and declared this day of 19 *Master*

In the presence of

(Countersigned)

pro Collector

Authorised Edition. Printed for His Majesty's Stationery Office
Chief Agents—Wyman & Sons, Ltd., London; Oliver & Boyd, Edinburgh; and E. Ponsonby, Dublin *Price 1s 6d per quire of 48 Forms.*

Importation Code, Paragraphs 1, and 880—895.

See Customs, Nn. 1910.

*NOTE.—If bulk has been previously broken at a British Port, add to the Declaration the words "except to discharge part cargo at ....."

FRONT

167

PORT OF LONDON AUTHORITY.

London Dock.

3 Department.

8th Dec.r 1909

LANDING ACCOUNT.

Of J B 10 Cases Soap

Entered by J Littleton & Co

on the 4th December 1909

Per the Ship Deucalion

Master L. Green Regn No. 9884

from Marseilles

Rent commences on the 6th December 1909

Dock Nos	Quantity	Total Landing Weight Cwt.	qrs.	lbs.	
1/10	10	19	2	10	Gross
	-	4	1	6	Tare
		15	1	4	Net

1	2	-	4
2	1	3	27
3	2	-	4
4	1	3	27
5	1	2	26
6	1	3	24
7	2	-	1
8	2	-	4
9	1	3	27
10	1	3	6

L. Green Clerk

Examined A.H.B.

BACK

Pile No.	Lot No.	Dock Nos	Quantity	Gross Landing Weight Cwt.	qr.	lbs.	Tare Cwt.	qr.	lbs.	Remark

I hereby certify that the above goods were in the condition stated when received

Warehousekeeper

891

PORT OF LONDON AUTHORITY

London Dock.

CERTIFICATE OF SURVEY.

Of One Cask Oil Per the Ship Mary Jane

Master C. Brown @ Lisbon

Entered by Messrs J Browning & Co

I, the undersigned, having surveyed and carefully examined the under-mentioned Goods, do REPORT concerning the Cause of the Injury or Damage which has happened to the same, as stated below.

Invoice Mark and No.	GOODS	CAUSE OF DAMAGE.
A B C 9	Oil	Defective stave.

As witness our Hands,
this 8th day of December 1879

M White Chief Officer

J Whiting Surveying Officer.

No. 23 (Sale)

Collector's No and Date.

H M CUSTOMS

This space is for the use of the Officers of Customs

ENTRY FOR FREE GOODS

Port London

Dock or Station Brewers Quay

Importer's Name and Address J. Jones, 101 Mark Lane, E.C.

Examination	Ship's Name	Master's Name	Rotation No.	Date of Report	Port or Place of Shipment of Goods
	Sperber				Rangoon

Marks and Nos.	No. of Packages and Description of Goods, in accordance with the Official Import List.	Quantity	Value £	Name of place whence goods consigned.
Y O	One Hundred Bags Whole cleaned Rice	200 Cwt.	£100	Rangoon

I enter the above Goods as free of Duty, and declare the above particulars to be true.

Dated this 4th day of December 1910 (Signed) J. Jones

Importer or his Agent.

Importation Code, par 565 Secy Customs, No 14,788 1910

(1) In the case of goods which are invoiced at a quoted price, the value to be stated in the Customs Entry should be the prime cost with the freight and insurance added ("c.i.f." value).
(2) When the goods are consigned for sale, the value to be given should be the latest sale value of such goods

No. 15 (Sale).

H. M. CUSTOMS

This space is for the use of the Officers of Customs

ENTRY FOR FREE GOODS

IN TRANSIT ON THROUGH BILL OF LADING.

Port London Port of Exportation London

Dock or Station London Dock Exporting Vessel Tomsa

Importer's Name James Fawn & Sons (No. .)

Examination	Ship's Name.	Master's Name.	Rotation No.	Date of Report	Port or Place whence.
	London				Setubal

Marks and Nos.	No. of Packages and Description of Goods, in accordance with the Official Import List.	Name of Place whence goods consigned.	Quantity.	Value. £
H. L 1/50	Fifty Cases Sardines Fish cured in oil	Setubal	26 cwt	£80

I enter the above Goods as free of Duty, and declare the above particulars to be true.

Dated this 12th day of December 1910 (Signed) James Fawn & Son per R.B.

Importer or his Agent.

(C. O. $\frac{41}{1899}$.)

H. M. CUSTOMS

* SPECIFICATION for Foreign Goods free of Duty in transit on through Bill of Lading. No. 16 (Sale).

Port of London Ship's Name Tomsa Master, for Sydney

Imported at London by Ship London (& Setubal) Date of Final Clearance of Ship

* The Specification of Goods exported must be delivered to the proper Officers of Customs within six days from the time of the final clearance of the Ship, as required by the Customs Laws

Marks	Nos.	Number and Description of Packages	Quantity and Description of Foreign Goods, in accordance with the requirements of the Official Import List	Country whence Goods were consigned when imported	Value	Final Destination of the Goods
H. L	1/50	Fifty	Cases Sardines Fish cured in oil	Setubal	£ 90	Sydney
				Total		

I declare that the particulars set forth above are correctly stated.

Dated 20th December, 1910

(Signed) James Fawn & Son †

(Address) 56 Lower Thames St EC

† Adding Exporter, or Agent, as the case may be

(Countersigned) V. C. Braund
Officer of Customs.

(General Order 41/1899.)

CUSTOMS AND EXCISE

H M CUSTOMS

ENTRY FOR HOME USE EX-SHIP.

No 22 (Wine).

Port of Importation } London. Dock or Station Millwall Dock

Name and address of Merchant paying the Duty } H. Williamson, 89 Eastcheap, E.C.

(If Post) Prime Entry No. ____ dated ____ 190

Ship's Name	Date of Report.	Master's Name.	Port or place whence.
Tenedos			Patras

Marks	Numbers	Place and Country of consignation in United Kingdom for Customs-collected Tobacco and Spirits only	Number of Packages, Quantity, and Description of Goods in accordance with the requirements of the Official Import List.	Name of place whence Goods consigned.	Value.	£	s.	d.
T			Fifty 1/4 Cases Currants	Patras	£19	1	18	
			Nineteen Hundred Weight net					
			Total amount of Duty payable on this Entry		£	1	18	

I declare the above particulars to be true.

Date 10th December 1910 (Signed) H. Williamson Importer or his Agent.

Collector's No. and Date.

a (1) In the case of goods which are invoiced at a quoted price, the value to be stated in the Customs Entry should be the prime cost with the freight and insurance added (Sec. 1, f value)
(2) When the goods are consigned for sale, the value to be given should be the latest sale value of such goods

Importation Code, paragraph 543 Sec. Customs, No. 6/10 1906

No 16 (Sale.)

H M CUSTOMS

ENTRY FOR WAREHOUSING.

Collector's No. and date

Port London
Dock or Station London Wharf
Importer's Name and Address } Howard & Jones 14 Rood Lane E.C.

Ship's Name	Date of Report.	Port or Place of Shipment of Goods.
Pelago		Malaga

Marks and Nos	No. of Packages.	Description of Goods in accordance with the Official Import List.	Quantity	Value £	Name of place whence Goods consigned
B		One Hundred Boxes Raisins	20 cwt.	£70	Malaga
10 Crowns					

I enter the above Goods to be Warehoused, and declare the above particulars to be true.

Dated this 2nd day of December 1910 (Signed) Howard & Jones

Importation Code, para. 544. Warehousing Code, para. 203 } Secy., Customs 1/6/11 1906

Importer or his Agent

No. 8A (Sale) (Secy. Customs. 3753/1908)

Collector's No. and Date

H. M. CUSTOMS

Entry for Warehousing at another Port or Place

under the provisions of Importation Code para. 365/375 and of Warehousing Code para. 219/233.

Port of Importation London

Dock or Station West India Dock

Importer's Name and Address Howard & Jones, 14 Rood Lane, E.C.

Ship's Name.	Date of Report.	Port or Place of Shipment of Goods.
Westmeath		New York

Marks and Nos.	No. of Packages.	Description of Goods in accordance with the Official Import List	Quantity.	Value. £	Name of place whence Goods consigned
O		Fifty Boxes Dried Plums	12 cwt.	£18	San Francisco

I enter the above goods, which are to be removed from the ship's side *on gross weight ~~locked into without weighing~~ to be Warehoused in C2 Bond, Customs Tacke Warehouse at Dublin and declare the above particulars to be true

Dated this 2nd day of December 1910. (Signed) Howard & Jones

*Delete not applicable words. Importer or his Agent.

This is to certify that Bond has been given for the due arrival and warehousing of the above mentioned within ~~_____~~ hours / Six days from the delivery of the Goods.

Port London. Date 2nd December 1910. A B Smith

Clerk of the Bonds.

Test Paper XII

1. Explain Customs Duty and Excise Duty.
2. What is Drawback? When, how, and to whom is it paid? Mention two different kinds of Drawback.
3. What is Pratique, and what steps are taken by Government to prevent infected ships communicating with the shore.
4. What steps are taken by Government to ensure that all imported dutiable goods shall be brought to account?
5. What is "Report"? Explain "Rotation Numbers."
6. What is meant by the expression "Goods in bond"? State what you know of the construction and management of Bonded Stores.
7. What are the advantages of Bonded Stores?
8. Cable messages of twenty words each are sent to New York, Vancouver, Melbourne, Bombay, Cape Town. What are the respective charges? (*N.U.T. Elem.* 1909.)
9. For what purposes are the following documents used? "Home use ex-ship"; "Entry for free goods"; "Specification"; "Consignment Note." (*N.U.T. Elem.* 1909.)

No. 51 (Sale).

TRANSHIPMENT DELIVERY ORDER

H. M. CUSTOMS.

CUSTOM HOUSE,
Export Branch, Long Room,
2/12/ 1900

To the Officer of Customs on board the *India*
Captain

Send up in charge of an Officer of Customs to be delivered into the Custody of the proper Officers at *Tilbury Docks*

Mark	No.	For Transhipment only on board the *Minnetonka* for *New York*
C		Fifty Chests Tea 5000 lbs net £200

No 49 (Sale)

Bond Note for Transhipment and Exportation.

Port of London — Bond Office, Custom House

THIS is to certify that Salisbury & Co. of 26 Mincing Lane E.C. has given Security as required by Law for the due Transhipment and Exportation of the undermentioned Goods, viz :—

29th day of December 1910.

Marks and Nos.		Values: Duty Goods	Values: Free Goods
C	Fifty Chests Tea		
	Five Thousand Pounds net	£200	

* One article only to be entered on each line. Total Value of Free Goods only... £

Amount of Duty £ 110

On board the Munic Conka for New York

The above Goods reported Second day of December 1910

ex the India Master, &c. Colombo

If under Ordinary Bond / General Bond

Here state—
Name of the proposed Security, Mr. Lavington & Co.
Address 12 Lower Thames St. E.C.
Date of General Bond 4/2/08

Clerk of the Bonds.

Signature of Exporter or Authorised Clerk or Agent } Salisbury & Co.

Bond No.

Importation Code, para. 1047. Secy., Customs 1351/1907

ft W V 450 gds 9—07
9 14 29

Authorised Edition. Printed for His Majesty's Stationery Office
Chief Agents Wyman & Sons, Ltd., London, Oliver & Boyd, Edinburgh, and E. Ponsonby, Dublin.
Price 12 6d. per quire of 96 forms

Test Paper XIII

1. Explain the procedure followed by Dock Companies when landing goods. What is a Dock Landing A/C and a Certificate of Survey?

2. What are Custom House Bonds? Who enter into these Bonds? Distinguish between Ordinary and General Bonds.

3. Explain the procedure followed by a merchant when importing free goods. What is the Official Import List?

4. Explain the procedure followed when importing free goods for immediate re-export.

5. Explain the procedure followed when importing dutiable goods, delivery of which is taken at the ship's side. Explain Prime Entry. What is a Post-entry Certificate and an Over-entry Certificate?

6. Mention the various ways in which a letter may be sent by express service. Give details of one way. (*N.U.T. Elem.* 1908.)

7. How may compensation be obtained for the loss of an unregistered Inland parcel? (*N.U.T. Elem.* 1908.)

8. Make out a delivery order. Do you know any other document similar to this? If so, what difference is there between them? (*N.U.T. Elem.* 1908.)

PORT OF London — H. M. CUSTOMS — No. 38 (Sale).

Shipping Bill for Transhipment Goods only.

Importation Code, pars. 1049, 1052, 1054, and 1055.

Export Ship } Nunebonka Master for New York

Lying at Tilbury Dock the 2nd day of December 1910.

Exporter Sainsbury & Co.

Address 26 Mincing Lane, E.C.

Reported Inwards by the India from Colombo

Lying at Royal Albert Docks the 2nd day of December 1910.

Lavington & Co. Carman ~~or Lighterman~~.

Marks and Numbers	Number and Description of Packages	Goods	Value
C	Fifty	Chests Tea 5000 Ctt nett	£ 200
			Officer
			Date

I declare that the quantity, description, and value of the Goods entered in this Shipping Bill are generally correct.

Sainsbury & Co Exporter or Agent.

Received the above-mentioned packages on board this Ship. 19 } ____ Master or Mate.

____ Countersignature of Officer of Customs.

Export Station and Certificate of Shipment to be inserted here }

____ Officer

____ 19

N.B.—Lightermen or Carmen are particularly required to give immediate notice to the Export Examining Officer if any of the above-mentioned goods be shut out of the Vessel, and on no account to take them to any other Ship than the one above-named without his permission.

Sec^r., Customs, $\frac{1120}{1909}$

TRANSHIPMENT GOODS.

CUSTOM HOUSE,
2nd day of Dec 1909.

THE following Goods having been imported per Indus
from Colombo which Vessel reported Decond
day of December, 1909, have been entered for Transhipment on board
the Minneapolis for New York

(C) Fifty Chests of Tea
500 lbs Net £200

Collector.

(No. 59. ,Sec°, $\frac{5601}{1894}$.)

TEST PAPER XIV

1. Explain procedure followed when importing dutiable goods warehoused at port of entry.
2. Explain procedure followed when importing dutiable goods warehoused at a port or place other than the port of entry.
3. What Customs forms are required when importing dutiable goods for immediate re-export to a British Colony?
4. What is a Customs Debenture? Why are certain kinds of carmen and lightermen called Bonded carmen or lightermen?
5. Where are damaged goods entered in the Dock Landing a/c?
6. What do you understand by the word "Market"? Give examples. (*N.U.T. Elem.* 1907.)
7. What postage is required for the following letters: (*a*) Dublin to Jersey, 1½ oz.; (*b*) London to Melbourne, ½ oz.; (*c*) Edinburgh to Calcutta, 1 oz; (*d*) London to Washington, ½ oz. (*N.U.T. Elem.* 1907.)
8. What limits of weight and size are imposed in the case of parcels? What are the Inland P.P. rates? (*N.U.T. Elem.* 1907.)
9. What is the penalty for sending a letter unstamped or insufficiently stamped? (*N.U.T. Elem.* 1907.)

We

Request Note, and Permit or Certificate.

I Request a Permit to remove from Western Vaults

to C 2 Bond Dublin County of

the* Luncheon Rum Spirits specified below; to be sent out at

o'clock in the noon, and conveyed by Steamer

Dated 2nd December 1910. Signed by Flynn & Co.

Casks or Cases.	Spirits.			Casks or Cases.	Spirits.		
Marks and Numbers.	Liquid Gallons.	Strength.	Proof Gallons.	Marks and Numbers.	Liquid Gallons.	Strength.	Proof Gallons.
T. B A 21	107	0 / 37.7	147.3				

The proper Duties having been paid, or secured by Bond, the above named Spirits may be delivered.

Time Allowed.

Dated 191 .

at in the noon. Officer.

*The number and description of the packages and denomination of the Spirits should be entered here. If racked or blended, &c., they should be so described.

No. 520 { Importation Code, paragraph 559. Accounts Code, paragraphs 222-9. Warehousing Code, paragraph 223.

Secretary, Customs. No. 6877. 1908.

Test Paper XV

1. Explain the course followed by a Wine and Spirit Merchant when removing spirits from one bonded warehouse to another.

2. What Customs forms are necessary when exporting dutiable goods which have previously been warehoused? Who usually stands surety when giving bond for the proper exportation of dutiable goods?

3. What is the procedure when exporting dutiable goods by Parcel Post?

4. Mention the two Post Office forms necessary when exporting goods by Parcel Post (*a*) to British possessions; (*b*) the majority of foreign countries.

5. Explain the following terms used in connection with bonded warehouses: Bulking, Gauging, Ullage, Break, Garbling, Overtakers.

6. Why are codes used in cabling or telegraphing messages? How would the following words and figures be counted.: (*a*) St. John's; (*b*) Mence-Smythe; (*c*) a/604; (*d*) $2015\frac{7}{8}$? (*N.U.T. Elem.* 1909.)

N.B.—This and the next are the two sides of one form.

GALE & POLDEN, LTD. PRINTERS, ALDERSHOT.
(19,024) Wt. 2,500—17. 50,000. 4/09. C 220.

Wet Goods for Removal.

I. WARRANT.

Collector's No.

Date

Station Western Vaults

Notice is hereby given by M Flynn & Co.

of 21 Rood Lane, London E.C.

to remove (under General Bond dated 4/2/08.)* by

[conveyance] Steamer to {*Customs ~~or Excise~~} C 2 Bond Warehouse

at Dublin to be removed by Licensed ~~Lighterman~~ Carman Woods

[Quantity and description of goods in words] One hundred & fifty proof Gallons Rum Spirits unsweetened in Bulk liable to the duty of £ 1140.

Consignee P. Murphy Signature of Remover or his Agent Flynn & Co

This is to Certify that Bond has been given for the due arrival and re warehousing as above, within Ten ~~hours~~ days from the delivery of the Goods

Name of the proposed Surety Henry Woods

Occupation Licensed Carman

Address 8 Upper Thames St. E.C.

Collector or Clerk of the Bonds.

For Warehousing Particulars see endorsement. Port Date 19

*Delete when inapplicable.

No. 498. { Accounts Code, par.: 207. Warehousing Code, pars.: 521—526. Secy. Customs, [illegible]

TEST PAPER XVI

1. What is a Bill of Sight, and when is it necessary?
2. Explain "Clearance Inwards" and "Clearance Outwards."
3. State what you know of the Port of London?
4. What are the duties of a Jerquer?
5. Explain what is meant by the expression "Free Trade country."
6. Mention some of the methods adopted by Protected countries to foster trade.
7. Explain Ad valorem Duty and Specific Duty.
8. What is meant by a Tariff? What do you understand by the expression, "Most-favoured-nation-clause."
9. Explain what is meant by "Preference."
10. What are the functions of the Middleman? Do you think it desirable and possible to do away with him? (*N.U.T. Int.* 1909.)
11. How is the Board of Trade able to make up its returns? (*N.U.T. Int.* 1909.)

Wet Goods for Removal.

Warehouse Number
Month and Year 19

Ship and date of Importation or Customs Rotation and Year: Vestal
Bonder's Name: Wharf Co. 20/4/09 2004
Country whence Goods were Consigned when imported: Jamaica
Number and Description of Packages and Goods: One Puncheon Rum Spirits unsweetened

LANDING ACCOUNT.								RE-EXAMINATION									
Register and Folio	Import Marks and Numbers	Contents	Ullage	Difference (Gauge)	Difference (Ullage)	Actual Strength	Proof Gallons	Bung	Wet	Ullage	Temperature	Index Error	Hydrometer Strength	Actual Strength	Proof Gallons	Deficiencies Alld	Deficiencies Obsrvd
T. B A 21		110	107	0/323	0·4	0/377	147·3 proof										

Officer

Date

H WAREHOUSEKEEPER'S ORDER.

Warehouse Number
Month and Year 19

To the Warehousekeeper at Western Vaults
Deliver the undermentioned for Removal to Dublin
Remover Flynn & Co.

Ship and date of Importation or Customs Rotation and date.	Bonder's Name.	Number of Packages in words with description of goods	Landing Marks and Numbers
Vestal 20/4/09 2004	Wharf Co.	One Puncheon Rum Spirits unsweetened	T B A. 21

THE ADDRESS OF THE CONSIGNEE is NOT to be written on the Official Card; nor is it to appear on any package delivered by virtue of this Order

Officer of Customs and Excise.

Date

N.B. This and the next are the two sides of one form.

GALE & POLDEN, LTD. PRINTERS, ALDERSHOT. (M.218) Wt. 1,318—64. 50,000. 4/10. C 921.

Dry Goods for Exportation.

I. WARRANT.

Collector's No.

Date

Station London Wharf

Notice is hereby given by M^rs. Finch & Harper

of 12 Tower Hill E.C. to export under ~~General~~ Ordinary Bond dated 10/12/10.

in the Ship Inkosi bound to Cape Town lying

at West India Dock and to be removed by Licensed* ~~Lighterman~~ Carman

[The description of goods, and the quantity in words.] Twenty Hundred weight Raisins

liable to the duty of £ 9

Signature of the Exporter or his Agent. Finch & Harper

This is to certify that Bond has been given for the due exportation of the goods as above.

Name of proposed Surety W. Richardson

Occupation Tea Broker

Address 99 Great Tower St., E.C.

Collector or Clerk of the Bonds.

Date.

For warehousing particulars see indorsement

* *Delete when inapplicable.*

No. 504. {Accounts Code, par. 207. Warehousing Code, pars. 537—546.

Secy. Customs, No. $\frac{80}{190}$

TEST PAPER XVII

1. State the conditions governing the growth of industries and show how far these conditions apply to the U.K.

2. Imagine yourself an English importer of American Boots and Shoes. State the various charges that would be incurred on a purchase made at F.O.B., Boston, U.S.A., up to its arrival at a warehouse in any inland English town. (*Lancs. and Ches. Union Senior*, 1906.)

3. Give the names of three foreign nations having highly protective tariffs.

4. Taking a loco price as a basis name what additions would be required to make this into (*a*) a C.I.F. price; (*b*) a Franco price. (*Lancs. and Ches. Union Senior*, 1909.)

5. What do you understand by a "Common Carrier"? Under what circumstances is a common carrier liable for damage to, or loss of, goods? (*N.U.T.*, 1905.)

6. What is an Agent? Discuss his powers. (*N.U.T. Advanced*, 1905.)

7. Make out as full a list as you can of the Excise Duties. For what purpose are these duties charged? (*N.U.T. Elem.* 1909.)

Dry Goods for Exportation.

Warehouse _____
Number _____
Month and Year 191

Register Folio.	Ship and date of Importation or Customs Rotation and Year and Bonder's Name.	Country whence Goods were consigned when Imported.	Number and description of Packages and Goods	Import Marks and Numbers.	Export Marks and Numbers.	Final destination of Goods.	Sample.	Landing Weight.	Re Weight.
	Pelago Finch & Harper 2/12/10 C 100 19. 2. 16	Malaga	One Hundred Boxes Raisins B 10 Crowns		P Cape Town 1/100	Cape Town		C 19 2 16	

Value for Export £ 75

Officer
Date

II. WAREHOUSEKEEPER'S ORDER.

To the Warehousekeeper at London Docks
Deliver for Exportation as under—

Warehouse Number _____
Month and Year 191
Finch & Harper Exporter.

Ship and date of Importation, Customs Rotation and Year and Bonder's Name	Number of Packages in words with description of goods	Landing Marks and Numbers
Pelago Finch & Harper 2/12/10	One Hundred Boxes Raisins	B 10 Crowns

_____ Officer of Customs and Excise.

Date _____

TEST PAPER XVIII

1. Make out an A/S for 100 bales Wool from Trumper and Waddy, Sydney, per SS. *Southern Cross*, sold in London by Hutchinson and Bar @ 6¼*d.* per lb. Gross weight, 385 cwt. 1 qr. 10 lbs.; tare and draft, 15 cwt. 1 qr. 13 lbs. The charges payable are freight ⅝*d.* per lb. on gross weight and primage 5%. Fire Insce. on £1150 at ⅛%. Dock dues, £16 15*s.* Sale expenses, 31*s.* 6*d.* Brokerage ½%. Commission 2½%. Due date May 20, 1908. (*West Riding C.C. Adv.* 1908.)

2. Explain briefly the difference between Customs and Excise Duties. (*West Riding C.C. Adv.* 1909.)

3. What formalities would have to be observed before you could take delivery of a consignment of currants ex *Chloe*, Patras to London. (*West Riding C.C. Adv.* 1909.)

4. What is a Certificate of Origin and for what purposes are such documents used?

CUSTOMS AND EXCISE

H M CUSTOMS AND EXCISE

Port of London

No. 64 (Sale)

* Erase the words that do not apply.

SHIPPING BILL FOR *DRY GOODS AS MERCHANDISE.

Under Bond.

Collection	Warehouse
District	
Station	Number
Date	Month and Year 19

Export Ship } Inkosi Master for Cape Town.

Entered Outwards Bond given 10/12/1910

Station West India Dock Lighterman

Conveyance Cart Carman Pickford

Frieh Harper Exporters or Agents.

12 Tower Hill, E.C. Address.

Shipping Marks and Numbers and Final Destination.	Number of Packages.	Description of Packages	Description of Goods	Quantity: Wet Goods Gallons, &c.	Quantity: Dry Goods cwts.	qrs.	lbs.	Country whence goods were consigned when imported	Rate of duty where duty is charged	Value.
			N.B.—These goods must be produced to the Officer of Customs and Excise at time of Shipment.							
P Cape Town 1/100		One Hundred Boxes	Raisins		C 19	2	16	Malaga		£75
Total ...										

Officer.

Date.

We declare that the quantity, description, and value of the goods entered in this Shipping Bill are correctly stated.* ~~further declare that the goods are of British manufacture, and claim Drawback on~~

* Strike out words in italics if not required.

Frieh Harper Exporter or Agent.

Received the above-mentioned packages on board this Ship 19 . Master or Mate.

Countersignature of Officer of Customs and Excise.

Particulars of Examination and Certificate of Shipment to be inserted here.

Export Examining Officer.

N.B.—The Lighterman or Carman are particularly required to give immediate notice to the Export Examining Officer if any of the above-mentioned Goods be shut out of the Vessel, and on no account to take them to any other Ship than the one above-named without his permission.

Exportation Code, paragraphs 40 and 134.

Secy. Customs, No. 14550/1908

KNOW ALL MEN by these Presents, that We, Finch & Harper of 12 Tower Hill and William Richardson of 99 Great Tower Street both places in the City of London

GEORGE THE FIFTH

are held and firmly bound unto our Sovereign Lord ~~*EDWARD THE SEVENTH*~~ *by the Grace of God of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, Defender of the Faith, in the Sum of* Twenty

Pounds, to be paid to our said Lord the King, His Heirs or Successors: For which payment well and truly to be made, We bind ourselves and each of Us and the Heirs, Executors, and Administrators of Us and of each of Us jointly and severally, firmly by these Presents. Sealed with our Seals. Dated this 10th *day of* December *in the year of our Lord One Thousand Nine Hundred and* Ten

WHEREAS the Goods hereinafter specified, that is to say,

Twenty hundred weight Raisins

are now deposited in a Warehouse or place approved by the Commissioners of Customs and Excise at London Wharf

AND WHEREAS the above bounden Finch & Harper has by a Memorandum in writing bearing even date herewith, and numbered given notice of his intention to remove the said Goods from the said Warehouse or place for the purpose of their being exported as Merchandise from the Port of London

NOW THE CONDITION of the above written Bond or Obligation is such, That if the said Goods and every part thereof shall within the time allowed by or by reference to the regulations of the said Commissioners for the time being in force, be duly removed and shipped without alteration or diminution on board the proper Ship, at the Port aforesaid, or at such other Port, as may be substituted therefor in conformity with the said regulations; and shall be produced to the proper Officer of Customs and Excise there, and shall be exported to and shall be landed at the place named in the said Memorandum, and if, in case the said Commissioners require it, proof to their satisfaction shall, within such time as they shall allow, be produced from Cape Town of such landing there of the said Goods; or if the said Goods, though not shipped or not landed, shall otherwise be accounted for to the satisfaction of the said Commissioners, then the above written Bond or Obligation to be void, or else to be and remain in full force and virtue.

Signed, Sealed and Delivered by the above-bounden Finch & Harper

in the presence of W Richardson

Form No. 23.—Bond for Exportation.

Secy. Customs, No. 1908

N.B. This and the next are the two sides of one form.

Foreign Colonial Parcels Post

Dry Goods for Exportation.

I. WARRANT.

Collector's No.

Date

Station Gun Wharf

Notice is hereby given by M^ssrs Salisbury & Co

of 26 Mincing Lane E.C. to export under (General) Bond dated

Deliver at the Post Office at (London) Great Tower Street Rouse in the Ship

to be exported by Parcel Post as per Export Code par 295 at

and to be removed by Licensed* Lighterman Carman

(The description of goods, and the quantity in words)

Twenty Pounds Tea

liable to the duty of £ 1

Signature of the Exporter or his Agent. Salisbury & Co

This is to certify that Bond has been given for the due exportation of the goods as above.

delivery to the proper officers of Revenue for exportation as above within one day of delivery

Name of proposed Surety William Richardson

Occupation Tea Broker

Address 99 Great Tower St. E.C.

Collector or Clerk of the Bonds.

Date.

For warehousing particulars see indorsement.

* *Delete when inapplicable.*

No. 504 Accounts Code, par. 207. Warehousing Code, pars. 537–546.

Secy. Customs. No.

TEST PAPER XIX

1. Mr. George Ramsay, proprietor of a Grocery and Provision store, takes Thomas Macdonnell, his manager, into partnership. The style of the new firm will be Ramsay, Macdonnell and Co. Write a circular letter to be sent to Mr. Ramsay's customers informing them of the change. (*West Riding C.C. Int.* 1909.)

2. What method are you acquainted with (*a*) by which you could cable to clients abroad without revealing the information to any third person; (*b*) by which you could minimise the cost of cabling lengthy messages to great distances? (*N.U.T. Elem.* 1906.)

3. What is a Bonded Warehouse? Explain how it is used. Can goods in bond in London be transferred say to Bristol without being taken out of bond?

4. Distinguish between revenue duties and protective duties. Can a duty furnish both revenue and protection at the same time? What are (*a*) specific, (*b*) ad valorem, duties? (*N.U.T. Inter.* 1906.)

5. What are Bounties? With what object are they offered? What effects do they produce, (*a*) at home; (*b*) abroad. (*N.U.T. Inter.* 1909.)

6. Of what use is a Drawback? State two ways in which a Drawback may be paid. (*N.U.T. Inter.* 1909.)

Dry Goods for Exportation

Warehouse

Number

Month and Year 191

Register and Folio.	Ship and date of Importation, or Customs Relation and Year and Bonder's Name.	Country whence Goods were consigned when Imported.	Number and description of Packages and Goods	Import Marks and Numbers.	Export Marks and Numbers.	Final destination of Goods	Sample	Landing Weight	Re Weight
	Rep 09/200	Ceylon	One Parcel Tea	1001	◇	Melbourne		20 lbs. net	

Value for Export £ 1/10/-

Officer

Date

II WAREHOUSEKEEPER'S ORDER

To the Warehousekeeper at Queen Wharf

Deliver for Exportation as under—

Warehouse Number

Month and Year 191

Louis Bury & Co Exporter.

Ship and date of Importation, Customs Relation and Year and Bonder's Name.	Number of Packages in words with descriptions of Goods	Landing Marks and Numbers
Rep 09/200	One parcel tea	1001

Officer of Customs and Excise

Date

TEST PAPER XX

1. Make out an export invoice from the following particulars: Sellers—Southey and Co., Sheffield; Shipping Agents—Cookes and Burrell, Liverpool; Buyers—Sleaford and Co., Durban, Natal. One case, 3′ 6″ × 4′ 9″ × 3′ 3″, marked "S & Co. in a triangle, 126 Durban," containing: 6 Silver Flasks, 7″ @ £1 8*s.* 6*d.* each; 6 solid leather Holster Cases, large, @ 13*s.* each; 6 doz. Silver Coffee Spoons, No. 8342, @ £2 18*s.* 6*d.* per doz.; 3 Mahogany Canteen Cabinets (105 pieces) @ £4 12*s.* each; 1 doz. 3-bottle E.P.N.S. Lunch Cruets, No. 86, @ 13*s.* 6*d.* each; 1 E.P.N.S. Syphon Stand, No. 21561, @ £3 1*s.*; 1 Afternoon Tea Set, Plain, No. K. 146, @ £2 15*s.*; Less 15% trade discount; charges: Freight, £2 8*s.* per ton meast., plus 10% primage; carriage, 8*s.* 6*d.*; dock charges and B/L, 4*s.*; insurance, 10% above invoice value @ 10*s.* 6*d.*% plus stamp; per *Star of Africa*. (*West Riding C.C. Inter.* 1908.)

C. No. 57 (Sale).

FORM OF REQUEST for Goods, delivered from a Customs Warehouse for exportation by the Foreign and Colonial Parcel Post.

To the Officer in charge of

Gun Warehouse

Bond having been given for the exportation by Foreign and Colonial Parcel Post of the undermentioned* One parcel of Tea

I request delivery of the same, to be posted at Great Tower Street Post Office, for transmission to the addressee given below, under our † Ordinary bond.

Total amount of duty, £ 1 —

Signed Salisbury & Co
Exporter or his Agent.

Date 2nd December 1910.

Warehouse Number and Mark.	Address of each parcel	Gross weight of each parcel lb.	oz.	Net weight of each parcel lb.	oz.
09/200 1001 B	Mr B. Beckstein Mannheim Germany	22	—	20	—

Bond having been given, the parcel described above may be delivered.

Signed _____
Officer of Customs and Excise.

RECEIVED the* one parcel above referred to.

Signed Salisbury & Co
Exporter or his Agent.

Date 2nd December 1910

Exportation Code, par. 295 (*d*) and (*j*). Sec' Customs, No. 12533/1909

* The number of parcels to be in words at length.

† Insert "ordinary" or "general" as the case may be.

D. No. 58 (Sale).

CERTIFICATE of Posting of Goods delivered from a Customs Warehouse for exportation by the Foreign and Colonial Parcel Post.

(a) Delete the word that does not apply.

The parcel described below has ~~(have)~~[a] been delivered from Gun Bonded Warehouse for exportation by Foreign and Colonial Parcel Post, on a request from Lansbury & Co dated 2nd December 1910

STAMP.

Signed _____
Officer of Customs.

Date 2nd December 1910.

Warehouse Number and Mark	Address of each parcel	Gross weight of each parcel lbs.	Gross weight of each parcel ozs.	Net weight of each parcel lbs.	Net weight of each parcel ozs.
09/200 1001 B	M. B. Beckstein Mannheim Germany	22	—	20	—

(b) The number of parcels to be in words at length.

(b) One parcel, each bearing the mark, number, address and signature as above, with the Customs seal intact, the approved label (Exported duty free from bond) attached, and of the gross weights given above, has (have)[a] this day been posted.

POST OFFICE DATE STAMP.

Signed _____
Officer of Post Office.

NOTE.—In case the seal or label on any parcel appears to have been tampered with, or the gross weight does not agree with that given in the Certificate of the Customs Officer, the parcel should not be accepted.

Exportation Code, Paragraph 295.
Sec. Customs, No. 1927?
1911

M.—No. 120.

COUNTERFOIL
(*Coupon.*)
Stamp of Office of Origin
(*Timbre du bureau d'origine.*)

Name and address of sender.
(*Nom et domicile de l'expéditeur.*)

Salisbury & Co
26 Mincing Lane
E.C.

Impression of seal used to close the parcel

DESPATCH NOTE.
(*BULLETIN D'EXPÉDITION.*)

Herewith is a parcel bearing the address given below
(*Ci-joint un colis portant l'adresse ci-dessous.*)

Number of Customs declarations _____ Postage paid ____s ____d.
(*Nombre des déclarations en douane.*) (*Taxe perçue.*)

Insured value (*Valeur assurée*)

£ _____ Fcs. _____

(To be filled up only in the case of an insured parcel.)

Name and Address of Addressee { Mr B. Beckstein / Mannheim / Germany

Place of destination (*Lieu de destination*)

Exact weight of Insured Parcel (*Poids*) ____kg. ____g. (To be filled up at Office of Exchange.)

Route to be followed: (*Acheminement:*)

Viâ _____

PAYS D'ORIGINE
GRANDE BRETAGNE.

C.

M.— No. 121.

CUSTOMS DECLARATION.
(*DÉCLARATION EN DOUANE.*)

PLACE OF DESTINATION.
(*LIEU DE DESTINATION.*)

Name of Addressee—M.r B. Beckstein Mannheim Germany

Parcels (*Colis postaux*)		Contents (*Désignation du contenu*) To be described, if possible, in both French and English. The nature and value of the contents should be accurately stated. Undervaluation of the contents or failure to describe them fully, may result in the seizure of the parcel.	Value of Contents (*Valeur*)			Weight (*Poids*)			
						Gross (*brut*)		Net (*net*)	
Number (*Nombre*)	Description (*Espèce*)		£	s.	d.	lb.	oz.	lb.	oz.
One	Parcel Tea								
		Produce of Ceylon	1	10	.	22		20	—

Date 3rd December 1910.

Salisbury & Co
Signature of Sender.
(*Nom de l'expéditeur.*)

Test Paper XXI

1. Refer to James Finch and Son's invoice on p. 188 and quote a C.I.F. price for each of the lines charged out. N.B.—The two lines where the price is the price per dozen are to be taken as two pairs and three pairs respectively.

2. Make out an invoice franco St. Petersburg for the goods referred to in question 1, assuming that the extra charges are those stated at the foot of the invoice, and that an import duty of 25% is payable on the net value of the goods. 25*d.* = 1 Rouble, 10 Copecks. N.B. 1 Rouble = 100 Copecks.

3. Quote a C. & F. price for the goods referred to in the previous questions.

4. Assume that you trade in Auckland, N.Z., under the style of Burrows and Co. and that you have received a price-list from Wright and Mains of London, with whom you propose to place an order. Make out an indent of six lines, giving shipping instructions, &c., and make it look as much like the real thing as possible. N.B. The goods may be any goods with which you are familiar.

5. You are Daniels and Co. of Wolverhampton. Write a letter to Arthur Wellstead Bros. Leeds, ordering the following goods, or if you prefer it rule a specimen order form and enter the goods thereon.

4 Angle Brackets $1\frac{1}{2}''$ shaft, No. 19 @ 9*s.* each.
8 Open Side Hangers, 2″ ,, ,, 25 @ 41*s.* 3*d.* each.
4 ditto 3″ ,, ,, 28 @ 50*s.* each.
4 Double Side ditto $1\frac{1}{4}''$,, ,, 52 @ 25*s.* each.
3 Prs. Flanged Couplings $2\frac{1}{4}''$,, 39 @ 10*s.* 6*d.* per pr.

6. Write a letter to Arthur Wellstead Bros. Leeds stating that you are returning the 5 prs. Flanged Couplings sent by them on March 26 last, as you ordered $1\frac{1}{2}''$ couplings, whereas they have sent $2\frac{1}{4}''$. State that you have been much inconvenienced by the mistake as they were to be used for a job taken on a time contract and you will now have to work overtime to complete.

7. Prepare invoice for the following, deducting $12\frac{1}{2}\%$ trade discount, and indicating that a settlement discount of $2\frac{1}{2}\%$ will be allowed if paid within 7 days. Sellers: Robert Cocks and Co., 15 Giltspur St., London, E.C. Buyers: The Secretary, Mining and Technical College, Wigan. 20 reams Double Foolscap ruled feint, @ 4*s.* per rm.; 6 gross Imperial Exercise Books @ 1*s.* 4*d.* per doz.; 144 gross Steel Pens @ 1*s.* 3*d.* per gross; 50 gross H.B. Lead Pencils @ 8*s.* 6*d.* per gross.

8. Make out a statement from James Hooper and Co's ledger.

Qtly. $2\frac{1}{2}$ per cent. PARFITT & Co., 61, Dale St., Liverpool

1910.		£	s.	d.	1910.		£	s.	d.
Jan. 1	To Balance B/F	12	9	10	Jan. 5	By Cash . .	12	3	7
,, 7	,, Goods . .	8	7	6	,, ,,	,, Discount .		6	3
,, 15	,, ,, . .	10	5	4	Feb. 18	,, Returns .	2	7	0
,, 28	,, ,, . .		19	2	,, 28	,, Overcharge		5	2
Feb. 17	,, ,, . .	1	8	7					
,, 25	,, ,, . .	13	5	3					
Mch. 12	,, ,, . .	3	5	8					
,, 28	,, ,, . .	1	7	10					

9. The returns £2 7*s.* credited on Feb. 18 were for 9 prs. 6907 Girls' Tan Boots @ 5*s.* 6*d.*, less 5% trade discount. Show the Debit Note Parfitt would send to Hooper and Co. and the Credit Note Hooper and Co. would send to Parfitt.

CHAPTER XIII

RAILWAYS: TRADE ROUTES: CANALS

On December 31, 1908, there were 23,205 miles of railways open in the United Kingdom. The combined paid-up capital was £1,310,533,212. The total traffic receipts were £110,552,833, or £4764 per mile. The working expenses were £76,407,801, or 64 per cent. of the gross receipts. The *net* traffic receipts were £43,486,526.

Note.—The student is advised to follow the routes here given by the aid of a good railway map.

English and Welsh Railways

London & North Western Railway (L. & N.W.R.). This railway is commonly regarded as the premier line of the United Kingdom. It runs from Euston, the London terminus, through Watford, Leighton Buzzard, Bletchley, Wolverton, Roade, Rugby, Nuneaton, Lichfield, Stafford, Crewe, Warrington, Wigan, Preston, Lancaster, Carnforth and Penrith to Carlisle. At Bletchley a branch runs west to Oxford and east to Cambridge. From Roade a line runs through Northampton to Rugby and also west to Peterborough. From Rugby a line runs through Market Harborough to Uppingham, Stamford and Peterborough, and also through Coventry, Birmingham and Wolverhampton, joining the main line at Stafford. From Nuneaton a line proceeds to Leicester. From Colwich, three miles from Stafford, access is gained, by means of the lines of the *North Staffordshire Railway*, to Stoke-on-Trent and other north Staffordshire pottery towns. At Crewe lines branch (1) west through Chester, along the Denbigh and Carnarvon coasts to Bangor, and thence through the Menai Bridge to Holyhead; (2) in a south-westerly direction through Shrewsbury to Carmarthen, and in conjunction with the G.W.R. to Swansea. Connection is also made with the G.W.R. at Craven Arms south of Shrewsbury, and access is gained

to the mining, smelting and shipping towns of South Wales; (3) in a north-westerly direction through Stockport to Manchester to the west, and Dukinfield, Stalybridge, Huddersfield, Dewsbury, Batley and Leeds to the east. A few miles south of Warrington a line branches through Runcorn, across the Mersey to Liverpool. There is also a line running from Liverpool to Manchester and thence to Stalybridge, where it joins the line to Leeds. From Preston a short branch of the *L. & Y.R.* runs to Blackpool and Fleetwood. At Carnforth the *Furness Railway* makes a wide sweep along the Cumberland coast, connecting the L. & N.W.R. with Barrow, Whitehaven, Workington and Maryport, whence the *Maryport & Carlisle Railway* runs to Carlisle. Besides the towns mentioned the L. & N.W.R. and its connections serve Blackburn, Accrington, Burnley, Nelson, Colne, Bolton, Bury, Oldham, Rochdale, Halifax, Bradford, Wakefield and other manufacturing towns of Lancashire and Yorkshire.

Midland Railway (M.R.). The M.R. is the most heavily capitalised of all the railways of the United Kingdom. It runs from St. Pancras, the London terminus, through Luton, Bedford, Wellingborough, Kettering, Leicester, Loughborough, Trent and Alfreton to Chesterfield. From Chesterfield the line proceeds to Rotherham, or by a loop through Sheffield to Rotherham. From Rotherham it runs direct to Normanton, connecting, by branches to the west of the main line, Barnsley, Wakefield, Dewsbury, Huddersfield and Halifax. From Rotherham the line proceeds to Leeds and through Keighley or Ilkley to Skipton. A few miles north of Leeds a branch runs to Bradford. From Skipton the line runs through Hellifield, Settle and Hawes Junction to Appleby and Carlisle. From Bedford a line branches north-west to Northampton and south-west to Hitchin. At Kettering a line proceeds viâ Oakham and Melton Mowbray to Nottingham, subsequently joining the main line at Trowell, a few miles north of Trent, and throwing off from Radford a line running through Mansfield to Worksop. A line also runs from Kettering through Huntingdon to the G.E.R. at St. Ives, and from Manton to the north of Kettering, through Stamford, Peterborough and Wisbech to Sutton Bridge on the Wash, there joining a line from Saxby, a little south of Melton Mowbray, running through Bourne and Spalding. The junction at Sutton Bridge is effected by means of the M. & G.N. Joint Line which runs to Norwich and connects with the G.E.R. running to

Yarmouth, Lowestoft, &c. At Trent a line branches north-west to Derby, the head-quarters of the line, and north-east to Nottingham. From Derby the line runs north to Belper, where forking, one arm joins the main line at Clay Cross, and the other proceeds through Matlock and the Peak district to join the railway of the Cheshire Lines Committee running viâ Marple to Manchester, or through Hazel Grove, Cheadle and Widnes to Liverpool. A line also runs south-west from Derby through Burton-on-Trent to Birmingham, Cheltenham, Gloucester, Avonmouth, Bristol and Bath, thence by the *Somerset & Dorset Railway* to Templecombe, Poole and Bournemouth. From Cheltenham the Midland & South Western Joint Line runs through Cirencester and Swindon to Andover, where it joins the L. & S.W.R. proper to Southampton and Portsmouth. From Nottingham a line proceeds through Newark to Lincoln, while from Settle another branch runs through Lancaster to Heysham on the coast of Morecambe Bay. The M.R., by its own system and its connections with the North Staffordshire and other railways, serves many important towns in Derbyshire and Staffordshire besides those mentioned, and amongst others Bolton, Blackburn, Wigan, Chorley, Darwen, Accrington, Bury, Oldham, Rochdale and Burnley in Lancashire, and Harrogate, York, Pontefract and Doncaster in Yorkshire.

The Great Northern Railway (G.N.R.). This line runs from King's Cross, the London terminus, through Hatfield, Luton, Hitchin and Huntingdon to Peterborough, thence through Grantham, Newark, Retford and Doncaster, to Wakefield, Leeds, Bradford, Keighley, Halifax, Dewsbury, &c. A few miles north of Doncaster the N.E.R. begins, and the Gt. Northern trains continue over the North-Eastern system through York and Northallerton to Darlington, Gateshead, Newcastle-on-Tyne, Morpeth, Alnwick and Berwick-on-Tweed. From Hitchin a line runs north-east to Cambridge. From Peterborough a line takes a north-east course to Boston thence through Louth to Great Grimsby. From Peterborough communication is effected with the G.N.& M. Joint Line to Norwich, and access is gained to the coast and inland towns of Norfolk and Suffolk. From Grantham a line runs (1) west to Nottingham, Derby and Burton-on-Trent, connection being made with the N. Staffs., Midland and L. & N.W. systems, (2) north-east to Lincoln and thence to Louth or through Gainsborough to join the main line south of Doncaster. From Retford the G.C.R.,

which has a working agreement with the G.N.R., runs viâ Worksop to Sheffield, Penistone, Glossop, Godley Junction and Guide Bridge to Manchester; and viâ Godley Junction over the Cheshire Lines to Liverpool. By its connections with the G.C.R. the Cheshire Lines, and the L. & Y.R., the G.N.R. serves the principal towns of Yorkshire and Lancashire.

Great Central Railway (G.C.R.). This railway, formerly the *Manchester, Sheffield and Lincolnshire Railway*, is the latest and probably the last long-distance railway to find a terminus in London. It runs from Marylebone through Wycombe and Princes Risborough, whence a branch proceeds to Aylesbury, to Brackley, Rugby, Leicester, Loughborough, Nottingham, Sheffield and thence viâ Penistone, Glossop, Godley Junction and Guide Bridge to Manchester, or viâ Godley Junction over the Cheshire Lines to Liverpool. From Sheffield a line runs viâ Worksop, Retford, Gainsborough and Brigg to Barton-on-Humber, Grimsby and Cleethorpes—Lincoln being connected by means of a branch from Clarborough Junction between Retford and Gainsborough. The G.C.R., by means of its connections with the G.N.R., the Cheshire Lines and the L. & Y.R., serves the principal towns of Lancashire and Yorkshire.

Lancashire and Yorkshire Railway (L. & Y.R.). This important railway serves the most populous parts of Lancashire and Yorkshire, and by means of its many branches enables the long distance lines from London—the L. & N.W.R., the M.R., the G.N.R., the G.C.R.—to serve all the important towns of these great manufacturing districts. One line proceeds from Liverpool to Stockport, Preston, Blackpool and Fleetwood. Another runs rom Liverpool viâ Wigan to Manchester, Ashton and Stalybridge; another from Liverpool through Ormskirk to Blackburn, Padiham, Burnley and Colne or through Accrington to Burnley and Colne. From Stalybridge the L. & N.W.R. gives access to Huddersfield and the L. & Y.R. proceeds viâ Dewsbury, Wakefield and Normanton to Pontefract, Knottingley and Goole on the Humber. Bolton, Bury, Rochdale, Oldham, Todmorden, Bacup, Accrington, Darwen and Morley, Blackburn, Padiham, Burnley and Colne are all connected with Manchester. So numerous and complicated are the various branches of this railway that it is impossible to give any clear description of the system, and the student is advised to consult the excellent map to be found in the official time table of the line.

Great Western Railway (G.W.R.). This railway has the greatest mileage of any in the United Kingdom. It runs from Paddington, the London terminus, through Ealing, Maidenhead, Reading, Didcot, Swindon, and Bath to Bristol. At Bristol the main line divides, one branch proceeding through the Severn Tunnel to Newport, Cardiff, Bridgend, Port Talbot, Briton Ferry, Neath, Swansea, Llanelly, Carmarthen, Pembroke Dock, New Milford, to Fishguard and Cardigan ; the other branch running south-west to Weston-Super-Mare, thence to Bridgwater, Taunton, Exeter, Plymouth, Devonport, Liskeard, St. Austell, Truro, Redruth, Camborne and Penzance. From Reading a line runs through Newbury, Devizes, Trowbridge, Frome and Yeovil to Dorchester, Weymouth and Portland. At Westbury on this line a branch proceeds to Salisbury. At Didcot a line runs north through Oxford, Banbury, Leamington, Warwick, Birmingham and Wolverhampton to Shrewsbury, Ruabon, Wrexham, Chester and Birkenhead. This route has been considerably shortened by the new line (opened June 1910) branching off from the main line at Old Oak Common about 5 miles from Paddington and proceeding viâ Bicester. At Yarnton, a few miles past Oxford, a branch line passes through Evesham, Worcester and Droitwich to Kidderminster and Hereford, thence north, joining the main line to Birkenhead. From Swindon a line runs to Stroud, Gloucester and Cheltenham. From Gloucester a line runs south along the Welsh border of the Bristol Channel to Newport thence north to Hereford, Leominster and Ludlow, finally joining the main line to Birkenhead about 10 miles south of Shrewsbury. By means of its own lines and its connections with the *Taff Vale* and the *Barry* Railways the G.W.R. taps every part of the great S. Wales coal and smelting districts, and by its connections with the *Neath and Brecon* and the *Cambrian Railways* serves the interior towns of Wales.

Great Eastern Railway (G.E.R.). This line runs from Liverpool Street, the London terminus, through Chelmsford, Colchester, Ipswich, Saxmundham and Beccles to Lowestoft, Yarmouth, and Norwich. At Manningtree, mid-way between Ipswich and Colchester, a short line runs to Harwich. Another line runs from Liverpool Street through Bishops Stortford to Cambridge, thence to Ely, King's Lynn and the northern towns of Norfolk. From Ely a line runs to March, and thence west to Peterborough and north-east to King's Lynn. The G.N. and G.E. Joint Line also runs

from March through Spalding, Lincoln and Gainsborough to Doncaster. Between the two main G.E. lines many branch lines link up the chief towns of Essex, Suffolk, and Norfolk.

London and South Western Railway (L. & S.W.R.). This line runs from Waterloo, the London terminus, through Kingston, Woking, Farnborough, Basingstoke and Andover to Salisbury, Yeovil, Exeter and Plymouth. From Exeter a line runs to Barnstaple and Ilfracombe on the north coast of Devon. A few miles past Basingstoke a line branches south to Winchester and Eastleigh, whence it forks west to Southampton, Christchurch, Bournemouth, Poole and Dorchester, and east to Gosport and Portsmouth. At Woking a branch line takes a more directly southern turn through Guildford to Portsmouth.

London, Brighton and South Coast Railway (L.B. & S.C.R.). This line runs from Victoria through Croydon, Redhill, and Three Bridges to Brighton, Lewes, Newhaven and Eastbourne. At Three Bridges a branch line proceeds through Crawley and Arundel to Chichester and Portsmouth. From Chichester a line runs east along the coast to Worthing, Brighton, Lewes, Eastbourne and Hastings.

South Eastern and Chatham Railway (S.E. & C.R.). This line is an amalgamation of the old *South Eastern Railway* with the *London, Chatham and Dover Railway*. The latter runs from Holborn Viaduct or Victoria through Bromley, Strood, Chatham, Faversham and Canterbury to Dover. Midway between Chatham and Faversham a short line runs to Queenborough. The former runs from Charing Cross or London Bridge through Chislehurst, Tonbridge and Ashford to Folkestone and Dover. From Tonbridge a line proceeds to Hastings and St. Leonards. There is also a line running from London, through Redhill, Reigate and Dorking, to Guildford and Reading.

London Tilbury and Southend Railway (L.T. & S.R.). This short line runs from Fenchurch Street through the low-lying lands of Essex bordering the Thames through Barking and Grays to Tilbury Docks and thence to Southend.

The North Eastern Railway (N.E.R.). This important line serves the five northernmost counties of England. The route followed by the main line has already been indicated when describing the G.N.R. From Newcastle and Gateshead branch lines run viâ Hexham and Haltwhistle to Carlisle. Other branches connect

Newcastle and Darlington with South Shields, Sunderland, Seaham Harbour, the Hartlepools, Middlesbrough and Stockton-on-Tees. The coast towns on the Yorkshire coast, *e.g.* Whitby, Scarborough, and Hull are also connected by branches with the main line. So too is Leeds. The N.E.R., serving as it does the great northern coalfields and iron districts, and busy shipping and ship-building centres, enjoys an enviable position as a heavy goods line.

The Cambrian Railway. This railway runs through the central districts of Wales. It is connected at different points with the L. & N.W.R., the G.W.R., the Neath and Brecon R., and through that line with the Taff Vale Railway.

The Railways of Scotland

Glasgow and South Western Railway (G. & S.W.R.). This line runs from Carlisle through Dumfries, Thornhill, Sanquhar, and New and Old Cumnock, to Kilmarnock and Glasgow. From Glasgow a line runs west through Paisley, branches south to Dalry, and after throwing out a short branch to Ardrossan proceeds south through Ayr and Girvan, finally connecting with the *Portpatrick and Wigtonshire Railway* running into Stranraer and Portpatrick. A line also runs from Glasgow to Paisley, Port Glasgow, Greenock and Gourock on the south bank of the Clyde. From Dumfries a line proceeds south-west to Dalbeattie and Castle Douglas, thence to Kirkcudbright. In connection with the M.R. the G. & S.W.R. offers probably the most interesting and picturesque route from London to Glasgow.

Caledonian Railway (C.R.). This line also runs from Carlisle, but through Lockerbie. At Lockerbie a branch line connects with Dumfries and the G. & S.W.R. as far as Castle Douglas, from which town the Portpatrick and Wigtonshire Joint Line runs to Stranraer and Portpatrick. Passing through Lockerbie the line proceeds viâ Carstairs and Motherwell to Glasgow. From Glasgow a line runs by way of Glenboig and Larbert to Stirling, Dunblane and Perth, continuing through Coupar Angus, Forfar, and Brechin to Montrose, Stonehaven and Aberdeen. At Dunblane a branch proceeds by way of Callander to Oban, Appin and Ballachulish. At Carstairs a line branches north-east to Edinburgh and south-west (throwing out a short branch to Lanark) through Lanark, joining the G. & S.W not far from Old Cumnock, and also continuing to Ayr and Troon.

There is also an important line, running through Rutherglen, Cambuslang, Uddingston, Bellshill, Holytown, Fauldhouse, West Calder and Mid-Calder, connecting Glasgow and Edinburgh. Many branch lines link up the towns in the Lanark coal and iron districts with the main lines.

North British Railway (N.B.R.). This railway runs from Berwick-on-Tweed by Dunbar through Portobello to Leith and Edinburgh, thence across the Firth of Forth through Dunfermline and Kinross Junction to Perth; or branching off at Inverkeithing on the north coast of the Firth of Forth through Burntisland, Kirkcaldy, Thornton Junction, Ladybank Junction, Cupar, Leuchars Junction, and across the Tay to Dundee. From Thornton Junction a branch sweeps round the Fife coast connecting Largs, Anstruther, Crail and St. Andrews with Leuchars Junction. From Dundee the C.R. and N.B. Joint Line proceeds to Arbroath and Montrose, whence Stonehaven and Aberdeen may be reached by the C.R. From Dunfermline a line proceeds through Alloa to Stirling, thence to Balloch at the south extremity of Loch Lomond, subsequently joining the line running from Glasgow through Clydebank to Dumbarton, and thence by way of Crianlarich and Tyndrum to Fort William. From Edinburgh a line follows the Waverley route through Galashiels, Melrose and Hawick to Carlisle. Two lines connect Edinburgh and Glasgow—one, the main line, running through Ratho, Linlithgow, Manuel, Polmont, Falkirk, Bonnybridge, Castle Cary and Lenzie; the other taking a more southerly route viâ Ratho, Bathgate, Airdrie and Coatbridge. From Bo'ness on the Firth of Forth a line runs through Manuel, Blackston, Avonbridge, Slamannan and Whiterigg to Coatbridge, while from Grangemouth another line runs through Falkirk, Bonnybridge, and Kilsyth to Glasgow. Hamilton and Morningside in Lanarkshire are each separately connected with the line running from Glasgow to Edinburgh viâ Coatbridge, and thus with Grangemouth, Bo'ness and Leith. The N.B.R. is a strong competitor with the Caledonian for the carrying trade of the Lanark coal and iron districts.

Great North of Scotland Railway (G.N.S.R.). This line runs from Aberdeen through Inverurie and Huntley to Keith, where it joins the Highland Railway to Forres and Inverness. There is another branch running from Aberdeen to Peterhead and Fraserburgh, and another running along the banks of the Dee to Ballater. A third branch runs north-east to Banff, and also south-west from

Keith along the valley of the Spey to Boat of Garten, and joins the H.R.

Highland Railway (H.R.). Runs from Perth through Pitlochry, Blair Atholl and Kingussie to Inverness, thence to Beauly and Dingwall and northwards to Thurso and Wick. At Dingwall a branch runs west by south to Strome Ferry. At Aviemore, some distance north of Kingussie, a line proceeds north to Forres, where a line connects that town with Inverness to the west and Elgin, Fochabers and Keith to the east.

Irish Railways

Great Northern of Ireland (G.N.I.). This line runs from Dublin through Drogheda and Dundalk, whence a short line, the *Dunkalk, Newry and Greenore Railway*, runs to Greenore, thence to Scarva Junction, and from there to Lisburn, Belfast and Antrim. At Scarva Junction a line branches to Portadown, where dividing, one line proceeds north by west to Omagh and thence north to Newton Stewart, Strabane and Londonderry; the other by way of Armagh to Clones, and thence to Enniskillen, turning north at that point through Bundoran Junction to Omagh, and also west to Bundoran on the coast of Donegal Bay. A short line connects Clones with Cavan to the south, and Dundalk to the east.

Great Southern and Western (G.S. & W.R.). This line runs from Dublin to Kildare. At Kildare a line proceeds south-east through Carlow to join the Dublin and South Eastern Railway running to Wexford and Rosslare. Continuing from Kildare the main line runs to Portarlington, where it divides, one branch proceeding through Tullamore and Clara to Athlone and Banaghar, the other running to Maryborough, whence a branch, the old Waterford and Central of Ireland Railway, proceeds south to Kilkenny and Waterford. From Maryborough the itinerary is by way of Thurles, Limerick Junction, and Mallow to Cork and Queenstown, and from Cork in an easterly direction to Youghal. From Limerick Junction a line runs to Limerick, thence to Ennis and north through Gort, Athenry, Tuam, Claremorris and Charlestown, to Sligo and also through Tipperary, Cahir and Clonmel to Carrick-on-Suir and Waterford. From Mallow a branch proceeds east to Fermoy, Lismore and Dungarvan to Waterford. A line also runs west from Mallow to Headford in co. Clare, where it divides, one

portion continuing to Kenmare, the other taking a northerly route through Killarney and Farranfore and thence to Valentia Harbour or Tralee and Ardfert. Tralee and Ardfert are also connected viâ Listowel and Rathkeale with Limerick. From Cork the *Cork, Bandon and South Coast Railway* proceeds to Kinsale, Bantry and Skibbereen.

Midland Great Western Railway (M.G.W.R.) runs from Dublin through Maynooth, Mullingar, Athlone, Ballinasloe, Athenry to Galway and to Clifden on the coast of Connemara. From Mullingar there is a branch line passing through Longford and Boyle to Sligo, and also one to Cavan. From Athlone a line runs to Roscommon, Castlerea and Claremorris to Achill Isle. A branch from this line at Manulla Junction runs through Ballina to Killala on the north coast of Mayo.

Dublin and South Eastern Railway runs from Dublin through Kingston, Bray, Wicklow, Arklow, and Enniscorthy to Wexford and Rosslare.

Northern Counties of Ireland Railway (N.C.I.R.) This railway owned by the Midland runs from Belfast to Larne, and also through Antrim, Ballymena and Ballymoney to Coleraine. At Coleraine a branch proceeds to Portrush, while another runs to Londonderry. From Londonderry the *County Donegal Railways* runs to Strabane, Donegal, Killibegs and Ballyshannon, also to Glenties and Letterkenny.

Routes from England to Scotland

(1) *By Rail:*

L. & N.W.R. viâ Carlisle. in conjunction with the C.R., to Stranraer (for Ireland), Glasgow and the far north.

M.R. viâ Carlisle in connection with the G. & S.W.R. to Glasgow or in connection with N.B.R.—the Waverley route to Edinburgh.

G.N.R. in connection with the N.E.R. and the N.B.R.—the East Coast route—to Edinburgh, &c

(2) *By Water:*

London to Leith, Bo'ness, or Grangemouth on the Firth of Forth; London to Aberdeen; London to Glasgow.

Routes from England and Scotland to Ireland

N.B. The distances and times given are for the sea-passage.

(1) *England*:

G.W.R. viâ Fishguard and Rosslare, 55 miles, 2½ hours.

G.W.R. viâ Fishguard and Waterford, 90 miles, 6 hours.
L. & N.W.R. viâ Holyhead and Kingstown, 57 miles, 2¾ hours.
L. & N.W.R. viâ Holyhead and Dublin, 61 miles, 3½ hours.
L. & N.W.R. viâ Holyhead and Greenore, 70 miles, 4½ hours
L. & N.W.R. viâ Fleetwood and Belfast, 116 miles, 7 hrs.
L. & N.W.R. viâ Liverpool and Belfast, 137 miles, 8 hours.
M.R. viâ Heysham and Belfast, 115 miles, 6¼ hours.

(2) *Scotland:*

L. & N.W.R. viâ Stranraer to Larne, 35 miles, 1¾ hours.
Ardrossan to Belfast, 74 miles, 4½ hours.
Glasgow to Belfast, 113 miles,
Glasgow to Londonderry, 139 miles.

Routes from England to the Continent

The figures in brackets following the names of towns are either distances or approximate times taken for the journey. Unless otherwise stated they are in both cases reckoned from London.

(1) London to Dover by the S.E. & C.R. thence by the S.E. & C. Co.'s boats to Calais (103) (or by Belgian Government steamers to Ostend (143½); (2) London to Folkestone (72) by the S.E. & C.R., thence by that company's boats to Boulogne (100); (3) London to Queenborough by the S.E. & C.R.; thence by the Zeeland S.S. Co.'s boats to Flushing (164½); (4) London to Harwich by the G.E.R., thence by that company's steamers to the Hook of Holland (171); (5) London to Newhaven by the L.B. & S.C.R., thence by L.B. & S.C.R. Company's boats to Dieppe (132).

Calais and Boulogne to Paris. The *Chemin de Fer Nord* runs from either port viâ Amiens to Paris (185⅔ miles from Calais). Approximate time by either route 7 hours 45 minutes.

Dieppe to Paris. By this route the journey to Paris is viâ Rouen.

From Paris the following important trans-Continental routes are open: (*a*) Paris to Marseilles; (*b*) Paris to Brindisi; (*c*) Paris to Madrid, the Southern Spanish ports and Lisbon; (*d*) Paris to Vienna, Trieste, Fiume, Bukarest and Constantinople.

(*a*) *Paris to Marseilles.* The *Paris, Mediterranean and Lyons Railway* (*P.L.M.*) runs a daily Mediterranean express viâ Melun, Sens, Dijon (485½), Chalon, Macon (564), Lyons (605), Valence (674), Avignon and Tarascon to Marseilles (826). Average time to Marseilles

20 hours. This express continues eastwards along the Mediterranean coast to Toulon, the Riviera towns and Genoa (1077, 30 hours).

(*b*) *Paris to Brindisi.* The P.O. Express runs every Friday for the conveyance of passengers to India and the Far East viâ Melun, Sens, Dijon, Macon, Bourg (587½), Chambery (660) to Modane (720¼), thence through the Mont Cenis Tunnel to Turin (778¼), and from there viâ Piacenza (895¼), Parma, Bologna (986¾) Rimini, Ancona (1113½), and Foggia (1314), to Brindisi (1459¼). Average time to Brindisi 42 hours.

(*c*) *Paris to Madrid, &c.* The *Chemin de Fer Orleans* runs viâ Blois, Tours (435¾), and Poitiers (496) to Bordeaux, and continues over the *Chemin de Fer Midi*, viâ Bayonne (776½) to Irun (800) where customs examination takes place. From that town the Northern of Spain continues viâ Valladolid (1041¾) to Madrid (1192). Average time 40½ hours. From Madrid the Madrid and Portugal line runs along the valley of the Tagus viâ Talavera (1280), and Valencia d'Alcantara (1447) to Lisbon (1606½). Average time 50½ hours. From Madrid rail may be taken viâ Alcazar and Murcia to Cartagena, or viâ Alcazar and Cordova to Malaga and Gibraltar (average time 70 hours) or to Seville and Cadiz.

(*d*) *Paris to Vienna, etc.* The *Orient Express* runs viâ Chalons (394¾), Nancy, Strasbourg (599½ ; average time 16 hours), Carlsruhe (653), Stuttgart (710), Ulm, Augsburg (820½), Munich (859 ; average time 23 hours), and Salzburg (954¾) to Vienna (1124½). Average time to Vienna 31 hours. From Vienna the train proceeds viâ Pressburg or Roob to Budapesth (1287 ; average time 38 hours) thence through Belgrade (1511½), Sophia (1763¾) and Philippopolis (1859¼) to Adrianople (1971¾) and Constantinople (2169¾). Average time to Constantinople 72 hours. From Budapesth the journey may be continued viâ Verciorova to Bukarest and thence to Constantsa on the Black Sea, whence boat may be taken to Constantinople. Trieste and Fiume—Adriatic ports—are both reached from Vienna, the route running viâ Gratz and Marburg to Trieste and thence to Fiume, or they may be reached viâ Milan and Padua.

An equally important series of transcontinental routes to that already described takes Brussels and Berlin as its centres. The chief of them are as follows : (*a*) Calais or Ostend to Berlin viâ Brussels, (*b*) Flushing to Berlin, (*c*) Hook of Holland to Berlin, (*d*) Calais or Ostend, or Flushing, or Hook of Holland to Hamburg, Copenhagen,

etc., (*e*) Berlin to St. Petersburg, (*f*) Berlin to Moscow, (*g*) Moscow to Vladivostock, Japan, etc., (*h*) Boulogne, or Calais, or Ostend, or Flushing, or Hook of Holland to Vienna, etc.; (*i*) Flushing or Hook of Holland to Amsterdam, Rotterdam, etc.

(*a*) *Calais or Ostend to Berlin* viâ *Brussels.* The itinerary is Calais, Lille, Tournai, Brussels (242¾), Ostend, Bruges, Ghent, Brussels. From Brussels the train runs to Liège, thence to Herbesthal (328½), where customs examination takes place, Aix-la-Chapelle, Cologne (381), Dusseldorf (406¼). Dortmund (456½), Hanover (585), Stendal (678), Berlin (742¾). Average time to Berlin 21½ hours.

(*b*) *Flushing to Berlin.* The route followed is viâ Roosendaal, Boxtel, Gosh (customs), Wesel, Munster, Osnabruck, Hanover, Stendal, Berlin.

(*c*) *Hook of Holland, or Amsterdam, to Berlin.* Hook of Holland, Gouda, Utrecht or Amsterdam, Utrecht, Arnheim, Zutphen, Salzbergen, Osnabruck, etc., to Berlin.

(*d*) *Calais, or Ostend, or Flushing, or Hook of Holland to Hamburg, Copenhagen, etc.* Calais or Ostend to Brussels. From Brussels the route is Herbesthal, Cologne, Munster (483). Osnabruck (514¼), Bremen (589½), Hamburg (619½; average time 23 hours), Altona (664½), Kiel (730¼), thence by steamer to Körsov in Zeeland (810¼), and from there to Copenhagen (879; average time 30½ hours), thence by boat to Malmö (899¾), and thence by rail to Stockholm (1283½), Average time to Stockholm 47 hours. Trains from Flushing and the Hook of Holland follow the same route from Munster and Osnabruck respectively.

(*e*) *Berlin to St. Petersburg*, viâ Königsberg (1110). Wirballen (1207½), where customs examination is effected, Wilna (1315½), St. Petersburg (1727¾). Average time to St. Petersburg 51 hours.

(*f*) *Berlin to Moscow*, viâ Bromberg, Alexandrovo (1004¾; customs), Warsaw (1127), Brest, Smolensk, Moscow (1890½). Average time to Moscow 79½ hours.

(*g*) *Moscow to Vladivostock, Japan, etc.* Viâ Tula, Riajsk (2145), Tamara (2635), Kourgan (3421), Omsk (3825), Bogotol (4533), Ilanskaia (4895), Irkutsch (5359), Manchuria (6307), to Harbin (6891). Thence viâ Pograintchnaia to Vladivostock (7443), and from there by steamer to Tsuruga, Nagasaki, etc., in Japan. Average time to Tsuruga, 15 days. This—the Siberian route—is open for

the conveyance of British letter mails, but not for parcels. At Harbin a branch proceeds south through Mukden to Pekin.

(*h*) *Boulogne, or Calais, or Ostend, or Flushing, or Hook of Holland to Vienna, etc.* Boulogne or Calais viâ Lille and Tournai to Brussels, or Ostend viâ Bruges and Ghent to Brussels, thence viâ Liège, Herbesthal and Aix-la-Chapelle to Cologne, or Flushing viâ Roosendaal, Breda and Kempen to Cologne, or Hook of Holland viâ Rotterdam to Breda, thence to Cologne. From Cologne the route proceeds along either bank of the Rhine viâ Mainz (476) or Frankfort, Darmstadt (497), Aschaffenburg (Austrian Frontier, 528), Wurzburg (591), Fürth (647), Nürnberg (653), Regenburg (725) and Passau (788) to Vienna (971). From Vienna the journey to Trieste and Fiume, or Budapesth (1134), Belgrade (1358½), Bucharest (1691), or Constantinople (2052) is accomplished as previously described. The approximate time to Cologne is 13¾ hours, to Nürnberg 22 hours, to Vienna 31½ hours.

(*i*) *Flushing or Hook of Holland to Amsterdam, Rotterdam, etc.* Flushing (170), Roosendaal (216¼), Dordrecht (242), Rotterdam (253), or Hook of Holland to Rotterdam, thence (1) viâ Gouda (281) to the Hague (298½), or Gouda and Utrecht (301) to Amsterdam (314); or (2) viâ Delft (262), the Hague (267½), Leyden (270¾) and Haarlem (296) to Amsterdam (307). Approximate time to Amsterdam 13 hours, Rotterdam 12 hours, The Hague 12 hours, Utrecht 13 hours.

Trade Routes

There are six main Steamship routes: (1) *The North Sea Routes* to Scandinavian, German and Baltic ports; (2) *The North Atlantic Route* to Canadian and U.S. ports; (3) *The Suez Route* to India and the far East, Capetown, Australia, Tasmania and New Zealand; (4) *The Cape Route* to South Africa, Australia, New Zealand and Tasmania; (5) *The West Indian Route* to the West Indies, Central American and the U.S. ports on the Gulf of Mexico; (6) *The Plate Route* to South American (East and West Coast) ports. The Plate route was the old Australian route viâ Cape Horn, but is now discontinued, except by some companies, who utilise it for the return journey from Australia. In addition to these main routes the development of new countries and the rise of many important new commercial centres have necessitated a large number of

supplementary and connecting routes. Competition for the emigration traffic from the Continent, and other causes has led to the establishment of many direct services from Mediterranean ports to New York and other parts of the world: and not a few British Companies regularly run liners from New York to the West Indies, South America, South Africa, Australia and the far East. The extension of railway facilities has, too, had considerable effect in modifying and adding to the old-time routes and somewhat impaired the reliance formerly placed by travellers on the long sea voyages over these historic ocean courses. It is no longer necessary for a traveller to book a passage round Cape Horn in order to reach Santiago or Valparaiso. He proceeds instead to Buenos Aires and takes train across the Andes. Again he may journey from London to Paris or Berlin, take train to Moscow and thence by Trans-Siberian Railway (T.S.R.) reach Vladivostock, and, after a short sea voyage, Tokio (Japan), in about fifteen days, as compared with the thirty-nine days required for the voyage viâ Suez; or he may sail from Liverpool to Quebec, transact his business in Canada, and then proceed by the Canadian Pacific Railway (C.P.R.) to Vancouver, thence by Canadian Pacific Liner to Yokohama, Kobe, Nagasaki, Shanghai or Hong Kong; or by Canadian Australian liner, viâ Honolulu and Fiji, to Brisbane and Sydney, and viâ Suva (Fiji Isles) or Sydney by the boats of the Union SS. Co. of New Zealand to Auckland, Wellington, Lyttleton and Dunedin. From Sydney he may go by rail to Melbourne and Adelaide or by steamer to Melbourne, Hobart, Adelaide and Fremantle. Further, just as the opening of the Suez Canal abolished the old route to India and the far East viâ the Cape, so the projected Panama Canal, the work on which is now far advanced, will, when it is available for traffic, revolutionise the route to the ports on the west coasts of North and South America and save no less than 6000 miles between London and San Francisco, and 9000 miles between New York and San Francisco, besides opening up fresh routes to Australia and New Zealand, China and Japan. More than one powerful British SS. Co. has completed arrangements to seize immediately the advantages that will accrue when this canal is completed.

In the case of the shorter ocean routes, *e.g.* North Sea, North Atlantic and the route to the various Mediterranean and Black Sea ports which may be included as part of the Suez route, coaling-

stations are not necessary; but in the longer routes they are of course imperative, and it is a matter of congratulation that from the extent of her possessions Britain, the paramount carrying nation, has under her own control a large number of outlying stations that are and can be utilised for this purpose.

An ocean-going vessel regularly prosecuting a particular voyage is called a *Liner*, *i.e.* it regularly proceeds upon a fixed line from port to port. Carrying vessels, sailing from one port to another and picking up freight wherever it is profitably offered, are familiarly termed *Tramps*.

North Sea Routes. The principal firm engaged in the North Sea trade is Thos. Wilson Sons and Co. Ltd. of Hull. Services are regularly maintained between Hull and Gothenburg, Hull and Stockholm viâ Gothenburg, Hull and Christiania viâ Gothenburg, Hull and Malmö viâ Gothenburg, Hull and Copenhagen viâ Gothenburg and Helsingborg, Hull and St. Petersburg, Hull and Riga, Hull and Stettin, Grimsby and Gothenburg, Grimsby and Malmö. Services are also run in connection with the United SS. Co. of Copenhagen between Hull and Copenhagen (direct), Newcastle and Copenhagen and Hull and Libau. Wilson's and the N. E. Rly. Shipping Co. Ltd. run regular steamers from Hull to Hamburg (28 hours), Antwerp (22 hours), Ghent (23 hours), Dunkirk (18 hours), and Rouen (24 hours), etc. These are passenger services. There are in addition a large number of cargo services to these ports. The Great Central Railway runs its own steamers from Grimsby to Hamburg, Grimsby to Rotterdam and Grimsby to Antwerp, and also in connection with the United SS. Co. of Copenhagen to Esbjerg in Denmark. The General Steam Navigation Company also runs vessels from London to Hamburg, &c. and Messrs. W. H. Müller and Co. Ltd. ply their well-known "Batavier" boats from the Thames to Rotterdam.

North Atlantic Route. The ports of departure are Glasgow, Liverpool, Manchester, Avonmouth, Southampton, Dover and London. The ports of arrival are Quebec and Montreal in summer, when the St. Lawrence is open for navigation, otherwise Halifax U.S. and Portland (Me), St. John (N.F.), Portland (Me), Boston, New York, Newport, Philadelphia, Baltimore and Norfolk (Va). From Liverpool to New York the distance is 3071 miles; from Liverpool to Montreal 2833; from Southampton to New York 3127 miles.

The fastest mail steamers accomplish the journey from Liverpool to New York in about 6 days. The principal lines using this route are:

The Allan Line. Liverpool to Quebec and Montreal; Liverpool to St. John's (N.F.) and Halifax (U.S.); London to Quebec and Montreal viâ Havre; Glasgow to Quebec and Montreal; Glasgow to Boston, New York and Philadelphia.

Canadian Pacific Line. Liverpool to Quebec and Montreal.

Donaldson Line. Glasgow to Quebec and Montreal.

Cunard SS. Co. Liverpool to Boston; Liverpool to New York

Manchester Liners, Ltd. Manchester to Canadian ports, Philadelphia, New Orleans.

Anchor Line. Glasgow to Boston, New York and Philadelphia.

Lamport & Holt Line. Manchester and New York.

Atlantic Transport Co. London to Baltimore, Philadelphia and New York viâ Swansea. Also London to New York.

American Line. Southampton and New York viâ Cherbourg, returning viâ Plymouth and Cherbourg. Also from Liverpool to Philadelphia viâ Queenstown.

Leyland Line. Liverpool and Boston. For cargo only, liners are run from London to Boston, Antwerp to Montreal, and Manchester to Boston.

White Star Line. Southampton to New York viâ Cherbourg and Queenstown, returning to Southampton viâ Plymouth and Cherbourg; Liverpool to New York; Liverpool to Boston; Liverpool to Quebec and Montreal. In addition there are numerous freight services.

Red Star Line. Antwerp and New York viâ Dover; Antwerp Boston and Philadelphia; Antwerp and Baltimore (cargo).

Dominion Line. Liverpool, Quebec and Montreal in summer, and Halifax and Portland (Me.) in winter; Avonmouth (Bristol) to Quebec, and Montreal or Halifax and Portland; Liverpool and Portland.

Hamburg American Line. Hamburg, Southampton to New York viâ Cherbourg, returning to Hamburg viâ Plymouth and Cherbourg; Hamburg to New York viâ Boulogne and Plymouth, returning viâ Plymouth and Cherbourg. Also regular services from Hamburg to Montreal, Halifax, Boston, Philadelphia, Baltimore, &c.

Holland-America Line. Rotterdam to New York viâ Boulogne; Rotterdam to Newport News.

Norddeutscher Lloyd. Bremen to New York viâ Southampton and Cherbourg.

Note. The Atlantic Transport Co., American Line, Leyland Line, White Star Line, Red Star Line, and Dominion Line are branches of The International Mercantile Marine Company, a company controlled by U.S. financiers. It is the largest steamship combination in the world, the Hamburg-American Line coming next. But rumours of an impending amalgamation of important British companies indicate that this priority will not be long-lived. Foreign SS. Co's. are included in this section as well on account of their importance as to bring home to the student the reality of foreign competition in a department of commercial activity in which Great Britain is particularly strong, and also incidentally to remind him of the need n any walk of life for constant vigilance and continual self-improvement.

The Suez Route. This route skirts the coast of Portugal, passes through the Straits of Gibraltar and across the Mediterranean to Port Said, thence through the Suez Canal, down the Red Sea past Aden and across the Arabian Sea to Bombay, or by taking a more southerly course through the Arabian Sea to Colombo. From Colombo vessels proceed north up the Bay of Bengal to Madras and Calcutta, or east to Penang and Singapore. From Singapore the route lies through the China Sea to Manilla or Hong Kong. From Hong Kong, still proceeding north, Shanghai, Kobe and Yokohama are reached. From Colombo a long southerly passage across the Indian Ocean brings vessels to Fremantle, the Port of Perth, other Australian ports being taken in the order, Adelaide, Melbourne, Sydney. Connecting lines give access to Hobart (Tasmania), and the New Zealand ports Auckland and Wellington, Port Chalmers (for Dunedin) and Port Lyttleton (for Christchurch). Another route viâ Suez and the Red Sea gives access to the East African ports, Mombasa, Zanzibar, Mozambique, Chinde, Beira, Delagoa Bay, Durban, and thence to East London, Port Elizabeth and Capetown. From London to Sydney viâ Suez the distance is 12,555 miles; to Melbourne, 11,978; to Yokohama, 11,914; to Hong Kong, 10,112; to Calcutta, 7973; to Colombo, 6999; to Bombay, 6570. These long distances necessitate the provision of coaling-stations where the steamers can replenish their bunkers. Aden is an important station for this purpose. Further, in order to ensure full cargoes and passenger lists, as well as to offer the utmost facilities for travel, most of the big liners call at various Continental and Mediterranean ports. Lisbon, Gibraltar, Algiers, Marseilles, Genoa, Naples, Malta, Brindisi are some of these ports of call. The chief lines using this route are:

The British India Line. London to Calcutta; London to Queensland ports, Townsville, Rockhampton and Brisbane; London, Bombay, Kurracheee and Persian Gulf; London, Mombasa and Zanzibar. There are also numerous connecting lines linking Indian ports, and also connecting Calcutta with Rangoon, Moulmein, Singapore, &c.

Peninsular & Oriental S. N. Co. Ltd. London to Fremantle, Adelaide, Melbourne and Sydney. Passengers may embark at Marseilles by means of the P. & O. express, London to Marseilles, or leave London by the Brindisi express, and from Brindisi take connecting steamer to Port Said, and there embark on the outward mail. They may also tranship at Colombo for Penang, Singapore, Hong Kong, Shanghai and Yokohama; London to Singapore and the Far East; London to Bombay; London to Colombo and Calcutta. There are also numerous lines connecting Indian ports with the Persian Gulf and also with Burmese ports and the Dutch East Indies; Singapore with Sydney (4300) and Hong Kong with Sydney (4400), so that by this line one can book through to almost any destination in the East, Australia, Tasmania and New Zealand.

Anchor Line. Liverpool to Egypt, Bombay, and Kurrachee. Liverpool to Egypt and Calcutta.

Ellerman's City Line. Liverpool to Egypt and Calcutta, occasionally calling at Colombo, Tuticorin and Madras.

Ellerman's City and Hall Lines. Liverpool, Egypt, Bombay and Kurrachee.

Bibby Line. Liverpool, Egypt, Colombo, Tuticorin and Rangoon.

Henderson Line. Liverpool to Rangoon.

Glen Line. London to Penang, Singapore, Hong Kong, Shanghai, Hiogo or Yokohama.

Shire Line. London, Colombo, Penang, Singapore, Hong Kong, Shanghai, Nagasaki, Kobe, Yokohama.

Orient Line. London, Plymouth, Gibraltar, Marseilles, Naples, Colombo, Fremantle, Adelaide, Melbourne, Sydney, Brisbane.

Queensland Line. London to Thursday Island, and Queensland, Ports Cairns, Townsville, Rockhampton (Port Alma), Brisbane.

German East African Line. Hamburg, Rotterdam and Southampton viâ Lisbon, Tangier, Marseilles and Naples to East African Ports completing at Capetown, and returning viâ west coast route.

Nippon Yusén Kaisha (Japan Mail S.S. Co. Ltd.). Middlesbrough, Antwerp, London, Colombo, Singapore, Hong Kong,

Shanghai, Kobe, Yokohama, also to Sydney, N.S.W., viâ Hong Kong, and Sydney, N.S.W., from Yokohama. This company is one of the most important in the world. In addition to the lines mentioned it maintains a complete Japanese coastal service; a line from Seattle, the U.S. Pacific port, to Japan and China, and numerous other services to Corea, Hawaiian Isles and India.

Norddeutscher Lloyd. Southampton, Colombo, Rangoon (viâ Colombo), Straits, China and Japan.

Nederland Royal Mail Line. Southampton, Colombo, Sabang (Sumatra), Singapore and Japanese ports—Batavia, Samurang and Sourabaya.

Rotterdam Lloyd. Southampton, Colombo, Sumatra and Java.

Compania Trasatlantica (Spanish). Liverpool, Colombo and Manilla (Philippine Isles), viâ Corunna, Vigo, Lisbon, Cadiz, Carthagena, Valencia, Barcelona and Genoa.

The Cape Route. This route is used by steamers proceeding to Capetown, and also by those for Australia and New Zealand, viâ the Cape. It is also partly used by steamers trading to West African ports. From Southampton to Capetown the distance is 5978 miles; London to Hobart viâ the Cape is 11,900 miles; London to Wellington, 13,178. The ports of call are Madeira, Las Palmas, Teneriffe, Ascension, St. Helena. The principal lines using this route are:

Union Castle Line. London, Southampton, Madeira, Capetown, Algoa Bay (Port Elizabeth), East London, Natal, Lourenco Marques, Beira, Chinde, Mozambique, Dar-es-Salaam, Zanzibar, Tonga, Mombasa. An alternative route is London, Southampton, Las Palmas or Teneriffe, Ascension, St. Helena, Capetown, &c.

British India Line. The steamers of this line use the west coast route in addition to the east coast route.

Bucknall S.S. Lines, Ltd. London, Teneriffe, Capetown, Algoa Bay, East London, Natal.

Natal Line. London, Las Palmas, Natal, Delagoa Bay, Beira and Chinde.

Rennie's Aberdeen Line. London, Teneriffe or Las Palmas, Durban, Delagoa Bay, Beira, Chinde, Mozambique, Zanzibar, Mombasa, and to Madagascar by transhipping at Durban.

British and African Steam Navigation Co. Ltd. Owned by Elder, Dempster and Co. Ltd. The steamers sail from Liverpool viâ Rotterdam and Hamburg to West African ports.

German East African Line. The steamers of this line use the west coast route as well as that viâ Suez, calling at Las Palmas, Swakopmund, Luderitzbucht, Capetown, and proceeding to the east coast ports and thence viâ Suez home to Hamburg.

Woermann Line. Dover and Boulogne to Teneriffe or Las Palmas, Canakry, Mourovia, Grand Bassam, Sekondi, Accra and Lorne, Cotonon and Lagos, Victoria, Duala and Kribi.

Aberdeen Line. London or Plymouth to Teneriffe, Capetown and Durban (viâ Capetown). From Capetown the steamers proceed eastwards to Australian, Tasmanian and New Zealand ports. These vessels carry the Cape mails to Australia.

Federal, Houlder and Shire Lines. From London or Liverpool to Australia and New Zealand, calling at Las Palmas, Madeira or Teneriffe.

P. and O. Line (late Lund's Blue Anchor Line). London, Las Palmas, Capetown, Durban (viâ Capetown) to Australian, Tasmanian and New Zealand ports.

New Zealand Shipping Co. Ltd. This company, purely a New Zealand company, founded at Christchurch in 1873, is the most important shipping company in the southern hemisphere. The vessels sail from London viâ Plymouth, Teneriffe and Capetown to New Zealand ports, Hobart or Launceston, and viâ Hobart to Australian ports. The return journey is made by way of Cape Horn, Monte Video and Teneriffe to Plymouth or London.

Shaw, Savill and Albion Line. The vessels of this line follow the route of the New Zealand Shipping Company's steamers, and make the return journey viâ Suva (Fiji Isles), Cape Horn, Monte Video, and for Rio de Janeiro, Teneriffe, Plymouth and London.

White Star Line. Liverpool to Capetown thence to Australian ports.

West Indian Route. This route includes the West Indian Isles and also the United States ports on the Gulf of Mexico, New Orleans, Galveston, &c. Sugar, bananas and raw cotton form important cargoes for vessels trading to these parts of the world. The chief companies using the route are :

The Imperial Direct W. India Mail Service Co. Ltd. Elder Dempster and Co. Avonmouth (Bristol) to Bermuda, Turk's Island, and Kingston (Jamaica).

Elders and Fyffes Ltd. Manchester, Jamaica and Costa Rica ; and Bristol to Jamaica, &c.

Royal Mail Steam Packet Co. (1) Southampton viâ Cherburg to St. Michael's (Azores), Barbados, Trinidad, Puerta Colombia, Cartagena, Colon for west coast ports, Jamaica, and New York, also by transfer at Trinidad with numerous other West Indian Isles. (2) Antwerp, Southampton, Bilbao, Santander, Corunna, Vigo, Las Palmas, Teneriffe, Havana, Vera Cruz, Tampico returning by same route to Plymouth and Newcastle.

Manchester Liners, Ltd. include New Orleans in their itinerary.

Leyland Line. Liverpool to St. Thomas, Colon, for West Coast ports, Kingston and Mexican Ports, &c.; Liverpool and New Orleans; London, Antwerp and New Orleans.

Hamburg American Line. Hamburg, Antwerp or Havre, Southampton, Bilbao, Santander, Corunna, Vigo, Cadiz, to Havana, Vera Cruz and Tampico (Mexico).

In addition to the sailings from British ports to the West Indies, &c. many of the Companies run lines from New York to West Indies.

River Plate Route. This route is followed by vessels trading to the Amazon, and South American East Coast and West Coast ports. From Liverpool to Rio de Janeiro, the distance is 5671 miles; from Southampton to Buenos Aires 6319 miles. The chief companies are:

The Royal Mail Steam Packet Co. Southampton, Cherburg, Corunna, Vigo, Leixões (Oporto), Lisbon, Madeira, St. Vincent (Cape de Verde Isles), Pernambuco, Bahia, Rio de Janeiro Santos, Monte Video, Buenos Aires.

Booth Line. Liverpool, Havre, Vigo, Lexiões, Lisbon and Madeira to Para, Manaos, &c., on the Amazon.

Pacific Steam Navigation Co. Liverpool, La Rochelle, Corunna, Vigo, Leixões, Lisbon, St. Vincent, Cape Verde, Pernambuco, Bahia, Rio de Janeiro, Santos, Monte Video for Buenos Aires and Rosario, Punta Arenas, Port Stanley (Falkland Isles), Coronel, Talcahuovo, Valparaiso, Antofagasta, Iquique, Mollendo, Callao, &c., or Valparaiso, Santiago, &c., can be reached by rail from Buenos Aires.

Lamport and Holt Line. Liverpool to Bahia, Rio de Janeiro and Santos; Liverpool to Monte Video for Buenos Aires and Rosario; Liverpool for ports on the West Coast of South America, and other ports of departure in the United Kingdom are Glasgow, Manchester and London, with calls at Antwerp and Havre.

Hamburg American and Hamburg Sud Amerikanische D.G. (Joint line). Hamburg, Boulogne, Southampton, Corunna, Vigo. Lisbon to Rio de Janeiro and Monte Video and Buenos Aires, &c.

Other lines using this route are the Houston Line and the steamers of Houlder Brothers and Co. Ltd., &c.

Canals and Waterways

The total mileage of Canals and Navigations (*i.e.* canalised rivers) at present used in the United Kingdom is about 4670 miles. Of this total about 3639 miles are in England and Wales, 183 in Scotland and 848 in Ireland. As regards management, 1360 miles are controlled by various railway companies, and 3310 miles are run independently—the canals proper being controlled by private companies, and the navigations, sometimes privately, but in most cases by specially constituted public authorities. The following are the principal canals :

The Manchester Ship Canal has a depth of 26 ft., and a minimum bottom width of 120 ft., and is slightly over 35½ miles long. It runs from Manchester through Warrington, Runcorn (where it enters the Mersey), Ellesmere Port to Eastham. This canal can take vessels up to 10,000 tons register, and has been the means of creating Manchester a seaport. In 1905, the total tonnage of seaborne traffic was over 4,450,000 tons and that of barge traffic nearly 1,500,000 tons, and the net revenue was £203,544.

The Bridgewater Canal, one of the oldest of the artificial canals, is now the property of the Manchester Ship Canal Company. Its course is more or less parallel with that of the Ship Canal for about 29 miles from Runcorn on the Mersey to its junction with the *Rochdale Canal* at Manchester. There is also a branch to Leigh, where it joins the *Leeds and Liverpool Canal.* The length of the Bridgewater is about 42 miles.

The Shropshire Union Canals are an amalgamation of canals connecting part of North Wales, Shropshire, Cheshire and the Midlands with the Mersey. They belong to the L. & N.W. Railway, and have a total length of over 200 miles. The main canal runs from Wolverhampton (where it joins the *Birmingham Canal* system), through Nantwich and Chester, to a junction with the *Manchester Ship Canal* at Ellesmere Port. One branch connects Chester with Welshpool and Newtown; another runs to Shrewsbury and joins the

main canal near Norbury; a third branch connects with the *Trent and Mersey Canal* near the town of Middlewich. The chief articles carried are coal, pig-iron, grain, flour, earthenware, hardware, sugar and cheese.

The Weaver Navigation. The River Weaver is canalised for about twenty miles, and is connected with the *Trent and Mersey Canal* by a hydraulic lift at Anderton. It has very large locks, and can take barges with a load of 320 tons. The outward traffic is mostly in salt, grain, and chemicals, and also pottery from the Midlands, viâ the *Trent and Mersey Canal*. A large quantity of Cornish clay also passes down this canal for use in the potteries.

The Trent and Mersey Canal belongs to the North Staffordshire Railway, and is about 93 miles long. It runs from Derwent Mouth, where it joins the *Trent River Navigation*, to Preston Brook, where it joins the *Bridgewater Canal*. Its most important branch is the *Caldon Canal*, 17 miles long, leading from Etruria through the Potteries. It also connects with the *Derby Canal*, the *Coventry Canal*, the *Stafford and Worcester Canal*, the *Macclesfield Canal*, the *Shropshire Union Canal* and the *Weaver Navigation*. It thus forms the main route across the Midlands from east to west, and is the backbone of several other canals. The principal traffic is in potter's materials, coal, earthenware, pig and manufactured iron.

The Leeds and Liverpool Canal connects the Irish Sea with the North Sea, and has a total length of 145 miles. It runs from Leeds through Shipley, Skipton, Burnley, Blackburn to Wigan, branches off at Wigan: (1) to Liverpool (2) to Leigh, where it joins the *Bridgewater*, which connects it with Manchester. There is also a branch to Bradford. There is considerable traffic in coal, raw cotton, and grain, and general merchandise.

The Aire and Calder Navigation, connected with the *Leeds and Liverpool* at Leeds Bridge, is one of the most successful of the privately controlled English canals. It connects the ports of Goole and Hull with Leeds, Bradford, Halifax, Sheffield, and other manufacturing centres. It carries about 1,000,000 tons of coal a year to be shipped at Goole, and a large quantity of woollen goods. Its total length is about 85 miles, and its total tonnage in 1905 was over 2,800,000 tons. The *Barnsley Canal*, from Wakefield to Barnsley, is now part of the system, and there is also a junction, by means of the *New Junction Canal*, with the *Sheffield & South Yorkshire Navigation*.

The Sheffield and South Yorkshire Navigation, controlled by the G.C.R., is connected at two points with the *Aire and Calder* and also with the *River Trent*. The navigation has a total length of about 60 miles. The principal traffic is in grain, timber, pig-iron and bar-iron, Swedish iron from Hull to Sheffield, and general goods and coal from the collieries to Hull.

The Stafford and Worcester Canal, controlled by a private company, is about 51 miles long. It is connected with the Severn at Stourport, and then passes through Kidderminster to Autherley near Wolverhampton, where it joins with the *Birmingham Canal* and the *Shropshire Union Canals*, and thence, touching Stafford, to a junction with the *Trent and Mersey* at Great Haywood in Staffordshire. Thus it forms the most direct route from the Severn to the Mersey, and connects both estuaries with Wolverhampton and Dudley, and important mining and industrial centres in South Staffordshire and East Worcestershire.

The Gloucester and Berkeley Ship Canal, 16½ miles long, extends from Sharpness Docks on the Severn up to Gloucester. It can be used by ships carrying as much as 1200 tons. Over 1,000,000 tons of goods were conveyed in 1905. This company also bought the *Worcester and Birmingham Canal* (37 miles). Coal is the principal commodity carried, but there is considerable traffic also in grain, timber and general merchandise.

The Birmingham Canal, controlled by the L. & N.W. Rly., comprises about 159 miles of waterways coiling through and about the city of Birmingham and the surrounding mining and manufacturing district of South Staffs. and East Worcestershire, including the towns of Wolverhampton, Dudley, Walsall and Wednesbury. It carries a very large local traffic, amounting to about ⅔ of the total traffic of over 7,500,000 tons in 1905. The banks are lined with manufactories of all kinds, especially ironworks. This system is connected with the Mersey by two routes: (1) viâ the *Stafford and Worcester*, and the *Shropshire Union*, into the *Manchester Ship Canal* at Ellesmere Port; (2) viâ the *Stafford and Worcester*, the *Coventry*, the *Trent and Mersey*, and thence either by the *Weaver Navigation* into the *Ship Canal* at Western Point Docks, or into the *Bridgewater Canal* at Preston Brook. It is also connected with the Severn by two routes, viz.: (1) By the *Worcester and Birmingham Canal*, belonging to the *Gloucester and Berkeley*; (2) by the *Stafford and Worcester Canal*. The principal goods carried are general merchandise and coal.

The Grand Junction Canal unites London and the Thames with the Midlands. It joins the Thames at two points: (1) through its own water at Brentford; (2) through the Regent's Canal, with which it forms a junction at Paddington. The main canal extends from Brentford for about 93½ miles to Braunston, in Leicestershire, and forms, together with 5 miles of the *Oxford Canal* from Braunston to Napton, the *Warwick and Napton Canal*, and the *Warwick and Birmingham Canal*, the principal water route between London and Birmingham. The Grand Junction also owns the *Leicester Canal*, which branches off at Norton Junction, a few miles from Braunston, whence the main route to Nottingham (and so by the Trent to the Humber) is continued by way of the River Soar, under the names of the *Leicester* and the *Loughborough Navigations*. There is also a branch to Northampton, connecting with the River Nene. The Canal Company has good wharf accommodation at its Paddington terminus. Nearly 1,800,000 tons of goods were carried in 1905. The total length of the waterway is 189 miles. The principal goods carried are general merchandise (consisting chiefly of sugar and other groceries), manure, coal, and foreign grain.

Regent's Canal commences at its junction with the Paddington branch of the *Grand Junction*, and extends for nearly 9 miles to its connection with the Regent's Canal Dock on the Thames at Limehouse. The Regent's Canal Dock, belonging to the same Company, is 10 acres in extent, and is capable of accommodating ships up to 3000 tons. The total tonnage conveyed in 1905 was nearly 1,400,000 tons, of which about 400,000 was coal.

The Kennet and Avon Canal belongs to the G.W.R. This waterway is partly canal, and partly the canalised rivers, Kennet and Avon. For the first 18½ miles from its junction with the Thames at Reading to Newbury it is the canalised Kennet, for the next 57 miles from Newbury to Bath it is canal, for the last 11 miles from Bath to Bristol it is the canalised Avon. The trade on this, as on all the canals south of the Thames, has seriously declined of late years.

The Thames and Severn Canal. The canal joins the Thames at Inglesham, near Lechlade, and connects it with the Stroudwater Canal and so with the Severn. It is 30 miles long.

Lancaster Canal, belonging to the L. & N.W.Rly, is about 60 miles long, and runs between Preston, Lancaster, and Kendal. It is not connected with any of the other canals. The principal traffic is in coal and slack, minerals, timber, grain, and general merchandise.

WELSH CANALS:

The only Welsh canals of any importance, besides the branches of the Shropshire Union Canal which lie within Wales, are the *Glamorganshire and Aberdare Canals* connected with Cardiff, and the *Swansea Canal* connected with Swansea.

SCOTCH CANALS:

The Caledonian Canal connects the North Sea and the Atlantic Ocean and is over 60 miles in length. The main part of the waterway, which runs from Fort William to Inverness, consists of a series of natural lochs, connected by several short canals—the artificial portion extending to about 23 miles in all. The canal is used by vessels up to 120 tons.

The Crinan Canal across the peninsula of Kintyre, provides a short cut between Glasgow and Oban for ships up to 160 tons.

The Forth and Clyde Canal connects Grangemouth Harbour on the Firth of Forth with Bowling on the Firth of Clyde. It belongs to the Caledonian Railway, and has a total length, including branches, of 52 miles. The main canal passes within 3 miles of Glasgow, with which city it is connected by means of a branch canal. *The Monkland Canal*, also the property of the Caledonian Railway, may also be considered a branch canal. It joins the Firth and Clyde in Glasgow and runs for 13 miles to Coatbridge. The principal traffic is in coal, pig-iron, timber, grain, salt, sugar, flour and general goods.

The Edinburgh and Glasgow Union Canal, the property of the North British Railway, runs from Edinburgh through Linlithgow to Falkirk, and joins the *Forth and Clyde* near Falkirk. It is about 31 miles long.

IRISH CANALS:

The Grand Canal connects Dublin with the Shannon. The main canal runs through Tullamore to Ballinasloe, on the Shannon, a distance of 93 miles. It has several branches and a total length of 209 miles. The principal traffic is in coal, grain, malt, timber, potatoes and manure.

The Royal Canal belongs to the Midland Great Western Railway, also runs from Dublin to the Shannon, a distance of 95 miles. There is also a branch to Longford, length $5\frac{1}{2}$ miles.

There are several other canals in Ireland, among them being the *Lagan Canal*, from Belfast to Lough Neagh (length, 25 miles) and the *Strabane Canal*, from Londonderry to Strabane (length, 4 miles).

Advantages and Disadvantages of Waterway Transport over Railway Transport. Assuming, for the sake of argument, that the Canals are, at the present time, as efficiently organised as the Railways, the following are some of the reasons for and against water carriage as compared with railway carriage.

Advantages: (1) The landing or shipment of goods can be effected at any point, and is not necessarily confined to certain fixed stations, as on railways. Thus, goods can be taken by barge direct to the ship's side and payment of dock dues, &c., avoided. (2) The costs of construction and maintenance of a waterway being less than that of a railway, the rates for carriage are usually lower. (3) The capacity for traffic is almost unlimited, provided the locks are properly designed. (4) There is much less risk of loss of, or damage to, cargo in transit. For example, take the case of coal, there is less leakage and less dust created, owing to the absence of jolting. Against this, however, must be set the fact that there is more labour and breakage in hauling coal from a barge into a waggon or ship than in tipping it from a railway truck into the waggon or ship.

Disadvantages: (1) Transport by railway ensures quicker and more punctual delivery of goods. Hence merchants can manage with smaller stocks, use less warehouse-room and employ less capital. (2) There is a want of uniformity of gauge in the different canals and locks—some taking long, wide barges carrying heavy loads, others, narrow boats of small tonnage, whereas railways have a uniform gauge which allows a truck to proceed from one railway line to another without hindrance. (3) Except in the case of an abnormal fall of snow railway traffic is not impeded by a severe frost, nor again, are railways usually much affected by floods. Droughts, too, often cause a shortage of water in canals, with a consequent impeding of traffic. Here, however, it must be said that floods only affect canalised rivers and rivers proper, and that a dry season does not affect canals so much as it does canalised rivers and rivers. On the other hand, canals, consisting of almost stagnant water, are frozen over much more easily than most rivers.

Test Paper XXII

1. Mention the chief towns on the L. & N.W.R. main route.

2. Mention the chief routes (*a*) from England to Ireland; (*b*) from Scotland to Ireland.

3. Through what towns would you pass journeying from London to Brindisi by the P. & O. Express?

4. Mention the chief towns on the route from London to Constantinople *viâ* Paris. How long does the journey take?

5. What is the quickest route from Liverpool to Tokyo. Mention two other routes you might take.

6. Describe the itinerary of a P.O. mailboat from Tilbury to Hong-Kong

7. Mention the chief SS. lines plying the River Plate route.

8. State the main Ocean Trade routes and mention what you consider the two most important railways in the world and why.

9. What will be the probable effect upon ocean travel by the opening of the Panama Canal?

10. Mention the order in which Australian ports are taken by vessels plying the Suez route.

11. Write the following abbreviations in full: P. & O.; C.P.R.; T.S.R.; L. & N.W.R.; C.R.; L.T. & S.R.; M.R.; G.N.R.; L.B. & S.C.R.; G.C.R.; G. & S.W.R.; H.R.; M.G.W.R.; D. & S.E.R.; N.C.I.R.; G.N.I.; G.S. & W.R.; N.B.R.; G.N.S.R.; L. & S.W.R.; N.E.R.; G.W.R.; G.E.R.; L. & Y.R.

12. Mention the chief routes from England to the Continent.

13. Mention the chief English canals. State what you know about the Manchester Ship Canal.

14. State what you know regarding the Birmingham Canal and its connections.

15. Discuss the relative advantages and disadvantages of Canal compared with Railway transport.

16. Name the ports of departure and arrival of the following SS. lines and their routes: (*a*) P. & O.; (*b*) Anchor; (*c*) Union Castle; (*d*) R.M.S.P. (*N.U.T. Elem.* 1909.)

17. Describe the shortest possible route from London to Bombay. Give the chief places on the route and the SS. line that would be used. (*N.U.T. Elem.* 1905.)

18. From what ports in England and to what ports abroad do the vessels of the following lines sail: (*a*) Elder Dempster; (*b*) Union Castle; (*c*) Cunard; (*d*) Orient; (*e*) Royal Mail S. P. Co.; (*f*) P. & O. (*N.U.T. Elem.* 1905.)

19. Name any three ship canals with which you are acquainted and show what advantages they offer to commerce. (*N.U.T. Elem.* 1905.)

20. Name one or two of the principal Steam Navigation Cos. whose ships ply between London, Liverpool or Southampton and (*a*) New York; (*b*) Cape Town; (*c*) Buenos Ayres; (*d*) Hamburg; (*e*) Lisbon; (*f*) Melbourne. (*N.U.T. Elem.* 1906.)

21. Compare the advantages of canals and railways and their drawbacks. Give the routes of any two British canals and say what traffic they are chiefly used for. (*N.U.T. Elem.* 1907.)

22. What steps would you take to ensure the transmission of a letter from London to Glasgow in the shortest possible time. (*N.U.T. Elem.* 1907.)

23. Name the overland routes to Egypt, and the chief countries and cities passed through. (*N.U.T. Elem.* 1908.)

24. Name the chief English exports, and to what countries are they sent? (*N.U.T. Elem.* 1908.)

CHAPTER XIV

THE BANKING ACCOUNT: CHEQUES

A Bank is a Safe Deposit. The retail trade of the country is mainly a cash trade, *i.e.* the buyer tenders payment in coin the moment the goods are transferred to him by the seller. It would, obviously, be a somewhat risky proceeding for a modern shopkeeper to keep all his takings in cash on the premises, to say nothing of the loss that hoarding his money thus, instead of putting it out at interest, would entail, and of the inconvenience and danger in conveying large sums in specie to the wholesaler from whom he buys. He therefore accepts the convenience offered by the banking system, and periodically hands over his takings to a banker for safe custody. At the very least, then, he exchanges the insecurity of hoarding for the security afforded by powerful banking houses.

Bankers and Cheques. The retailer's dealings with the public are mainly for cash; his dealings with the wholesaler, as also the dealings of wholesalers amongst themselves, are generally conducted upon a different principle. When goods are sold by a wholesaler to a retailer, or by one wholesaler to another, the goods are usually immediately transferred, but payment is postponed to a future date mutually agreed between buyer and seller. When the due date comes round payment is made, not in cash, but by the buyer sending the seller a written order on his banker directing the banker to hand over on demand to the seller the amount due. Such a written order is called a **Cheque**. Here, then, we have a second aspect of a banker's functions; firstly, he is a custodian* of his customer's money; secondly, a steward* disbursing it when and to whom his customer directs.

* The student is cautioned that these words "custodian" and "steward" are merely *descriptive* epithets. As descriptions they may

The Banker a Lender of Capital. The wholesale trade of the country includes the Import and Export trade, and these sections, like the home wholesale trade, are conducted upon credit. But inasmuch as the Import and Export trades, in one of their dual aspects, are conducted with traders abroad, the settlement by order on a banker payable on demand, or the cheque, where it is used at all, is, so far as Great Britain is concerned, confined to near countries, *e.g.* France and Germany, its place otherwise being taken by a document addressed by the seller to the buyer and signed by the seller, requiring the buyer to pay at a fixed or determinable future time (sometimes also "on demand") the sum due to the order of a specified person or to bearer. Such a document is called a **Bill of Exchange.** Bills of Exchange are also used in the home trade, but to a far less extent. These Bills of Exchange are bought from the mercantile public by bankers and bill brokers acting in conjunction with bankers. The banker buys them at a stated rate of discount, *i.e.* he immediately credits the seller (his customer) with the amount of the bill, less a deduction of so much per cent. for the term the bill has to run till the date of payment arrives. Here then we have a third function of a banker. Firstly, he is a custodian of his customer's money; secondly, a steward, disbursing it according to his customer's instructions; thirdly, a lender of capital, giving his customer, for a consideration, the immediate use of capital expended in manufactures or the raising of produce sold abroad, which would not otherwise be available till the Bill of Exchange representing the transfer of the goods had become due for payment. A banker exercises other functions besides the three mentioned (*see* p. 366), but it is owing mainly to these that the banking system has become general throughout the world, so that in this country, at least, even the smallest trader has his banking account. Or, rather, it would be more correct to say that the growth of trade encouraged bankers to fulfil these functions, and their fulfilment has in turn re-acted upon trade, conducing to its wider and ever widening development.

The Value of the Cheque System. (1) *It provides an easy and cheap means of remitting money to all parts of the country*, the cost being twopence for any amount, one penny for the stamp on the cheque and one penny for the postage, if the cheque be remitted.

pass, but the student will see later (*see* p. 366) that a banker does not undertake to pay back the *actual* money committed to him but its *equivalent*, and that he has generally perfect liberty to employ his customer's money as he thinks fit.

Hence cheques restrict the use of gold and silver, thereby effecting a large saving in the costs which would attend the use and transmission of a vast amount of specie.

(2) *It simplifies the settlement of the million interchanges of goods constantly being carried on.* A trader in Manchester owes £100 to a London trader and a London trader owes £100 to a Manchester trader. If payment were made in specie we might have the ridiculous sight of one conveyance carrying £100 in gold to Manchester passing another carrying £100 in gold to London. Under the cheque system we have instead two letters, each containing a piece of stamped paper representing £100, and payable, if required, in gold, which by a wonderfully effective arrangement of Banker's Clearing Houses described on p. 382 are brought together and cancelled one against the other without the use of a single coin.

(3) *It is safer than the use of specie.* A cheque may be drawn to *Bearer* or *Order*. If it is drawn to "bearer" it will be paid to any holder who presents it at the bank on which it is drawn. If it is made payable to the *order* of a specified person it will only be paid by the banker on the *payee*, *i.e.* the person in whose favour it is drawn, *endorsing* the cheque, *i.e.* signing his name on the back of the cheque in agreement with his description on the face of it. A cheque to *order* is therefore safer than one to *bearer*, and for this reason bearer cheques are not commonly met with in trade, though they are frequently issued by bankers, and are also used on the London Stock Exchange. A further way of safeguarding a cheque is to *cross* it, *i.e.* to draw two parallel lines across its face, with or without adding the words *& Co.* A cheque thus crossed will only be paid by the banker on whom it is drawn provided it is presented through another banker; and if the name of a particular banker is added to the crossing, only through the banker named. Hence the cashing of a crossed cheque is restricted to those persons possessing banking accounts, and, where the cheque is crossed to a particular banker, to those persons who have accounts with that banker. Its movements can therefore be easily traced. An uncrossed cheque is termed an *open* cheque. A cheque is a *negotiable instrument*, *i.e.* any holder of a cheque who gave value for it and took it in good faith, is entitled to payment of it. But if to the crossing the words "not negotiable" be added its qualities as a negotiable instrument are impaired. It may still be transferred from one to another, but the holder of such a cheque has

no better title to it than had the person from whom he took it. Hence if it prove to have been stolen the holder would lose the value he gave for it even though he were a perfectly innocent holder. It will be seen therefore that a cheque crossed to a particular banker and marked "not negotiable" is as safe as anything in the way of cash can be. Other crossings of cheques &c. are given on p. 297. The negotiability of a B/E cannot be restricted in this way.

Opening a Banking Account. A banker, as a general rule, requires a prospective customer to be introduced by a person known to him before he will undertake his banking business. He also usually requires a customer to keep a minimum balance of, roughly, £100 for town accounts and £50 for country accounts. When, however, only a few cheques are drawn, the balance is allowed to descend below these minimum amounts; if many are drawn, the banker makes a charge termed a *Commission* for his services.

A customer, having been introduced and his preliminary deposit accepted, is required to sign in the bank's signature book his name as he usually writes it when signing cheques or accepting bills, so that the bank officials may become familiar with his signature. He is then handed: (1) a cheque book, (2) a pass book, (3) a pay-in book.

The Cheque Book contains a varying number of cheques (25, 50, 100, 250, &c.), each stamped with a 1*d.* embossed stamp, and the cost of the stamps is debited to the customer, the cheque forms themselves being supplied free. It is not necessary to use the special cheque form of the bank when drawing a cheque. It can be drawn on a half-sheet of note paper, and stamped with a 1*d.* (or two ½*d.*) adhesive stamps. But bankers discourage this form of cheque, because of the ease with which the amount for which it is drawn can be altered, and certainly no prudent business man would use any but the bank's own forms. The elaborate engraving on the cheque forms issued by the banks makes it more difficult for any one to alter the words and figures without detection.

The Pass Book is a kind of small ledger ruled Debtor and Creditor, and is really a transcript of the customer's account in the bank's books. On the Debtor side the bank debits itself with all amounts paid in, and on the Creditor side credits itself with all amounts paid out. If the Pass Book is written up to date the excess of the Dr. entries over the Cr. entries is the balance of the current account standing in the bank's books to the credit of the

customer. The Pass Book must be periodically—once a week, or if the transactions are infrequent, once a month—returned to the bank, in order to be written up. When returned by the bank, vouchers for all payments by the bank on behalf of the customer will be found in the pocket on the inside of the cover of the Pass Book, in the shape of Cheques drawn and Bills of Exchange accepted by the customer and paid and cancelled by the bank. For all other charges such as interest, expenses of collection, cost of cheque books, slips are enclosed setting forth the particulars. English banks usually charge their customers *6d.* apiece for each Scotch or Irish cheque they collect, unless such cheque is payable by an English office or agent of the Scotch or Irish bank. At frequent intervals every trader should compare the Bank Pass Book with his Cash Book. The balance shown in the Pass Book will not usually agree with the bank balance shown in the Cash Book. The difference will arise from the extra charges, interest, expenses of collection, &c., mentioned above, which must be entered in the Cash Book from the Pass Book, and also from the fact that some cheques issued by the trader to his creditors may not have been presented to the bank for payment at the time the Pass Book was written up, and therefore do not appear on the Cr. side; or because Irish and Scotch cheques paid into the bank have not yet been collected and therefore do not appear on the Dr. side. The cashier should then construct a *Reconciliation statement* and write the details of the statement at the foot of the monthly ruling-off of the Cash Book, thus:

Bank Reconciliation Statement, *March* 25, 1910.

Balance as per Bank Pass Book		£618 10 9
Deduct cheques drawn but not yet debited:		
Warren	12 10 9	
Finch & Co.	8 7 6	
Annandale Bros.	53 2 1	74 0 4
		544 10 5
Add cheques paid in but not yet credited:		
Sime, Glasgow	190 10 8	
Forward Bros., Cork	80 11 7	271 2 3
Balance as per Cash Book		£815 12 8

Pay-in Book. This is a book of detachable forms on which the different items paid into the bank are enumerated. Some banks have a town pay-in book for enumerating cash, Notes, P.O.s, M.O.s, cheques, Bills, &c., payable in London, and a separate pay-in book for country cheques and Bills. Others have but one pay-in book with different divisions for town and country, and others have no books but separate slips for town, metropolitan and country. The reason for this sub-division is to be found in the Clearing House system, there being three clearings at the London Clearing House in Post Office Court, Lombard Street: one for town cheques and Bills, one for metropolitan and one for country. The different varieties of documents paid in are collectively termed the *effects*.

Kinds of Accounts. A customer may run several accounts with his banker:

(*a*) *A Current or Drawing Account*, to which his inward payments are credited and his outgoings debited. Money may be paid into or withdrawn from the Current account at any time.

(*b*) *A Deposit Account*, to which he transfers from time to time such balance of his Current account as is not immediately necessary for the conduct of his business. Some banks issue Deposit Receipts for money placed to Deposit account; others issue Deposit Pass Books, in which the payments in and withdrawals are duly debited or credited, as the case may be.

(*c*) *A Private Account*, from which he draws to discharge his personal expenses or to make payments of a more or less private nature.

(*d*) *Special Accounts*, for purposes varying with different businesses, *e.g.* charitable subscriptions, &c.

Interest on Accounts. Bankers do not usually allow interest on the Current account, or on any of the Special accounts where the balance is continually fluctuating, though some do allow interest when the monthly balance exceeds a stated sum. In the north of England and Scotland the practice obtains amongst bankers of allowing interest on current accounts and charging a fixed commission on the total sum withdrawn by cheque during a given period. Interest is allowed on the Deposit account, from which money cannot be withdrawn save to the Current account without due notice, varying between 7 days and 1, 3, 6, 12 months or whatever other time

may be agreed on between the banker and his customer. The rate of interest allowed on the Deposit account varies with the length of time required for notice of withdrawal. Money held on deposit at 7 days' notice would bear interest at about $1\frac{1}{2}$ per cent. below the current Bank rate, *i.e.* the official rate charged by the Bank of England for discounting the best kinds of bills; and the rate varies as the Bank rate varies. The rate of interest on deposits held under longer notice of withdrawal is correspondingly higher.

Counterfoil

C47567
October 1st 10
Finch & Walker
Settlement a/c
July to Sept. 10
£ 100-16-0

Cheque

C47567 FORE STREET E.C.
October 1st 10
FORE STREET BRANCH
Messrs Finch & Walker
One Hundred Pounds Sixteen Shillings
£ 100-16-0
James Bird & Co

Paying into the Bank. Payments into the bank may be: (1) Cash, (2) Notes, (3) Postal Orders, (4) Money Orders, (5) Cheques, (6) Bills of Exchange and Promissory Notes, (7) Interest Coupons. Bills and Promissory Notes should be paid in on the day before they are due if payable in the same town as that in which the banker resides, and two or three days before they are due in all other cases. The cash and other effects should be enumerated separately under the different printed headings on the pay-in slip (see p. 295) and also on the counterfoil of the slip, care being taken to see that slip and counterfoil exactly agree, and that the date and the name of the firm to whom the effects are to be credited is also clearly indicated. The whole bundle of cheques, postal orders, &c., is then tabbed together and handed in to the receiving cashier at the bank's counter. He will check the effects with the entries in the Pay-in book, looking carefully at all endorsements to see that they are in order; then tear off the perforated pay-in slip, initial and stamp the counterfoil, which becomes a receipt for the amount paid in, and hand back the Pay-in book to the messenger.

175]

LONDON AND COUNTY BANKING COMPANY, Limited.

24th Nov. 190.

Gold	15		
Silver	7	10	
Copper			
Bank Notes ...	25		·
Country Notes			
Draft Payable in London only			
Do.	14	10	7
	127	8	6
	15	8	·
	27	10	6
	83	5	2
	47		
	12	·	
M.O	5	8	7
Do	3	2	6
P.O's	14	10	7
£	397	14	5

LONDON AND COUNTY BANKING COMPANY, Limited.

24th Nov. 190.

Credit Wm Sharpe & Co,
256 Walbrook, E.C.

Gold	15		·
Silver	7	10	·
Copper			
Bank Notes	25		
Country Notes			
Draft Payable in London only			
Do.	14	10	7
	127	8	6
	15	3	
	27	10	6
	83	5	2
	47		
	12	·	·
M.O	5	8	7
Do	3	2	6
P.O's as per separate list	14	10	7
Paid in by			
£	397	14	5

Customers are requested to cross all Cheques "London & County Banking Company, Limited."

I will now explain in fuller detail by means of an illustration the practical significance of the various ways of drawing a cheque.

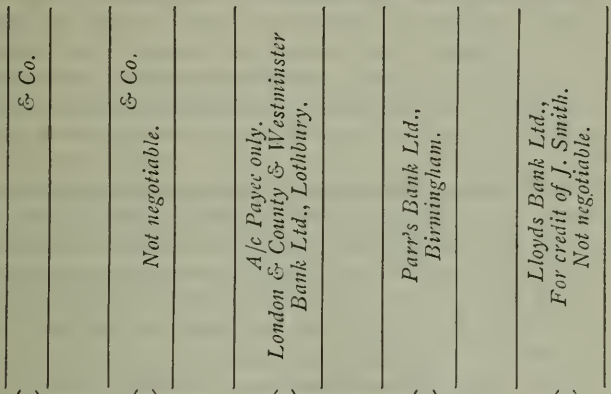
The specimen cheque on p. 294 is drawn on the London County & Westminster Bank, Ltd., by J. Bird & Co. (the drawers), and given or made payable to Messrs. Finch & Walker (the payees). The cheque is drawn to *order*, and crossed *& Co. not negotiable.* It must therefore be endorsed by the payees, who will sign on the back of the cheque *Finch & Walker*, and pay it into their bank for collection, since a crossed cheque is only payable by one banker to another banker. Had the cheque been an open one—*i.e.* uncrossed—it would be paid by the banker to any person who presented it on its endorsement by Finch & Walker, if drawn to Order, but without endorsement, if drawn to Bearer. If the cheque had been crossed to Finch and Walker's bankers, say the London, City and Midland Bank, it would only be paid if presented by that bank, so that to obtain payment of it presentment must be made through that bank. If the cheque had been drawn payable to *Finch & Walker . . . or Bearer*, it would not require endorsement by Finch & Walker, but as the cheque is printed *or Order*, the drawers, to make it payable to bearer, would have to cross through the words *or Order*, substitute the words *or Bearer* and initial the alteration. Any material alteration to a cheque once it is written out requires initialling by the drawers. If the cheque had been drawn to order and uncrossed, or drawn to order and crossed simply *& Co.* or *& Company* (*i.e.* crossed *generally*), or drawn to *Bearer* and either uncrossed or crossed generally, the payees could cross it specially to themselves—*e.g.*, *a/c Finch & Walker, London, City and Midland Bank, Leadenhall Street, E.C.*, and it would then be paid only in accordance with the crossing. If the cheque were drawn payable to *Finch & Walker . . . or Order*, and crossed generally, and the payees, instead of collecting it through their bankers, transferred it to one of their creditors, say James Phelps, the transfer could be effected by the payees endorsing the cheque, and handing it to James Phelps when the cheque becomes payable to bearer, or by the payees endorsing it

Pay to the order of James Phelps,
Finch & Walker.

when the cheque is still an order cheque requiring the new payee's endorsement before the bank will pay it. If the cheque were drawn to *Finch & Walker . . . or Bearer*, and crossed generally or uncrossed

it could be transferred to James Phelps by delivery alone. Cheques may therefore be negotiated by simple delivery, if payable *to Bearer*, or by endorsement and delivery if payable *to Order*. But as already pointed out, the transference of cheques from one to another is not a practice which business men should follow. The B/E is the more appropriate negotiable instrument.

Crossings. Here are a few specimen crossings of cheques.



(1) is a *general crossing*, a cheque so crossed will be paid through any banker to any holder. Sometimes the abbreviation *Co.* is written or printed in full, *Company*.

(2) is a general crossing, but the negotiability of the cheque is impaired by the addition of the words "*not negotiable*."

(3) is a *special crossing*, *i.e.* it can be collected only through the banker named, and only for the account of the payee.

(4) is also a special crossing, but without instructions as to whose account the cheque is to be credited, and with no restriction as to negotiability.

(5) is also a special crossing, directing its collection by a particular banker for a particular person and restricting negotiability.

The drawer of a cheque may cross it either generally or specially. If uncrossed any holder may do the same. If the drawer cross it generally any holder may cross it specially. Either the drawer

or holder may add the words "not negotiable" to a crossed cheque. A banker to whom a cheque is crossed specially may cross it again specially to another banker for collection, and he may cross to himself any cheque sent to him for collection which is uncrossed or crossed generally.

Banker and Crossed Cheques. A crossing is a material part of a cheque and no person may obliterate the crossing. When paying a cheque a banker must have regard to the crossing. If he pay it in a manner inconsistent with his duty he is liable to the true owner of the cheque. But he is not liable if the crossing is obliterated or altered in such a way that the change is not apparent, nor is he liable to the true owner if he receive payment of a cheque for a customer in good faith, and in the ordinary course of business and without negligence.

Drawing Cheques. The drawing of a cheque requires great care. No *open* cheques should be given as, should they fall into wrong hands, they are more easily cashed than crossed cheques. A cheque should be written in bold, plain writing, and the correct title of the payee given. Do not make the cheque payable to *Messrs. Brown & Co.* when the real name of the firm is *Messrs. James Brown & Co., Ltd.* Be careful, too, about variant spellings of Christian names and surnames—*e.g., Smith, Smythe, Smyth; Davies, Davis; Thompson, Thomson, Tomson; Phillips, Philips; Johnson, Johnston, Johnstone.* In writing the amount of the cheque in words, place them as close together as possible, especially such words as—*e.g. six pounds*—too large a space between *six* and *pounds* would give an opportunity for the insertion of *ty*, thus making the cheque payable for *sixty pounds.* The same remarks apply to the figures. Commence the figures as near the £ sign as possible, and, to prevent the insertion of any other figures, leave as little space as you can between the figures. See also that the words and the figures agree.

On some statements of account directions appear as to how cheques are to be drawn—*e.g.*,

> *Cheques should be made payable to the Company, and crossed London County and Westminster Bank.*

Generally, however, the drawer of a cheque is sufficiently safeguarded if he cross the cheque and mark it *not negotiable*, or *payee's account only* adding, where known, the name of the payee's bank.

Endorsing Cheques, Bills, &c. Care must be taken to see that the endorsements are in proper form. A cheque or bill made payable to "Jane Webster" and endorsed "Mrs. Webster" would not be paid on presentation. It should be returned on receipt to be correctly endorsed "Jane Webster." Similarly a cheque made payable to the order of "Messrs. White & Co." would not be paid if endorsed "J. White & Co.," or one drawn to the order of "Jones & Co." paid if endorsed "Jones Brothers," or one payable to the order of "J. Browne" paid if endorsed "J. Brown." The endorsement must in all cases be the same as the description on the face of the cheque. Where, however, the inaccurate description leaves little doubt as to the identity of the payee, the cheque will usually be paid if endorsed according to the inaccurate description, and with the correct title of the firm underneath.

Precautionary Measures with Inward Cheques, &c. All Cheques, Postal Orders, Money Orders, Bank Notes, Demand Bills, should be *crossed* by the cashier on receipt if this has not already been done by the customer remitting them. This crossing is usually effected by means of a rubber stamp, *e.g.*,

A/c Macdonald & Evans
London County & Westminster Bank
21 *Lombard Street, E.C.*

In this way misappropriation is prevented. Cheques and Bills should not, however, be *endorsed* till the time for paying them in to the bank comes round. As a general rule all cash articles should be paid into the bank as soon after receipt as possible. Some firms make it a practice to pay in only once or twice a week, but the larger firms pay in once or twice a day, and this is the only safe and businesslike course to adopt. All money, no matter in what form received, should be paid into the banking account. The practice of utilising cheques received for the discharge of debts, a practice sometimes followed by traders, generally by those in a small way of business, has many disadvantages and not infrequently leads to actual loss.

Dishonoured Cheques. A banker will refuse to pay a cheque under any one of the following circumstances :—

(1) When he has knowledge of the Bankruptcy of the drawer or that the drawer has committed an Act of Bankruptcy.

(2) When he has received notice of the drawer's death.
(3) When the balance to the credit of the drawer is insufficient to meet the cheque.
(4) When the drawer has instructed the banker not to pay the cheque.
(5) When the cheque is incorrectly drawn, *e.g.* words and figures differing, or when it reveals some other informality.
(6) When he has been served with a garnishee order, *i.e.* an order issued by a court of law, placing a legal encumbrance on the customer's bank balance.
(7) When the cheque is presented for payment long after its date.

Cheques, payment of which is refused by a banker, are marked as follows :

I/F = Insufficient Funds ; R/D = Refer to Drawer ; N/S = Not Sufficient Funds ; Not in Order ; Words and Figures Disagree ; No effects ; Account closed ; Drawer Dead, etc. ; and returned to the payee, who should immediately inform the drawer of the dishonour and take whatever steps are necessary to obtain or enforce payment. As with all other B^s/E the drawer of a cheque is entitled to notice if the bank dishonours it. But when the drawer has insufficient funds to meet the cheque notice of dishonour is excused.

Mutilated Cheques. Torn or otherwise mutilated cheques will not be paid. Such cheques must be returned to the senders and new cheques obtained in their stead.

Cheques where words and figures differ. Cheques wherein the amount expressed in words and figures differ are paid only for the smaller amount. Some bankers, indeed, decline to pay such cheques at all.

Post-dated Cheque. A post-dated cheque—*i.e.* a cheque dated forward—will not be paid till the date indicated on the face of the cheque. Where such cheques are offered it is a clear indication that the person offering them is in financial difficulties—either temporary or of a more serious character. They should be regarded with caution, and failure to meet a post-dated cheque on the due date should generally be followed by the immediate commencement of legal proceedings against the drawer.

Stale Cheques. The payee or holder in due course of a cheque

can enforce payment against the giver any time within six years of its date—*i.e.* any time before recovery is barred by the Statute of Limitations—but a banker would generally decline to pay a cheque if presented long after the date of it. Such a cheque is termed a *stale cheque*. A cheque must be presented for payment within a reasonable time. What is reasonable time depends on circumstances. Where the payee and the banker on whom it is drawn are in the same town, the cheque should be presented the day after it is received.

Lost Cheques. When a cheque has been lost notice should at once be given to the drawer, with a request that payment of it should be stopped. A new cheque would be issued on the indemnity being given by the loser. If a banker paid a cheque after receiving notice to stop payment of it he would be liable for the amount.

Marked Cheque. A marked cheque is one that a banker has initialled, thereby intimating that he has sufficient standing to the credit of the drawer wherewith to meet it when presented for payment.

Relationship between Banker and Customer. A banker must be very careful that he does not refuse payment of his customer's cheques except for valid reasons, otherwise he lays himself open to an action for damages, since a dishonoured cheque has a ruinous effect upon the drawer's credit. The relationship between a banker and his customer is, in general, that of Debtor and Creditor, and the banker contracts to pay back on demand the sum he owes the customer, and to honour his cheques so long as he is debtor, and to the extent of his indebtedness.

Forged Cheques. A banker is bound to know his customer's signature, and if he pay a cheque to which the drawer's name has been forged the banker is the loser. He is not however bound to know the signature of an endorser, and if the endorsement to a cheque is forged and the banker pay it, he is entitled to debit his customer's account with the payment.

Legal Definition of Cheque. A cheque is a Bill of Exchange drawn on a banker payable on demand.

Test Paper XXIII.

1. Mention three advantages which a trader derives from the Banking system.

2. Mention three advantages accruing to the mercantile community through the use of cheques.

3. What are the preliminaries to be observed before a banker will open an account with a prospective customer?

4. Explain as fully as you can why the use of cheques is safer than the use of specie.

5. Explain what a Pass Book is and a Pay-in Book. Why should the bank balance shown by a customer's Cash Book and his Pass Book not always agree? What ought a customer to do in cases of dis-agreement between the two balances?

6. Enumerate the kinds of accounts a customer may run with his banker and explain the purpose of each. Do bankers usually allow interest on all these accounts?

7. Name the different kinds of payments into a bank. What is the collective name given to these different kinds of payments in? Consult the Pay-in Slip given on p. 295 and then make up an imaginary Pay-in Slip from the following particulars. London County and Westminster Bank Ltd., credit of Lyle and Watts, December 29, 1910. Country cheques: £101 10*s.* 9*d.*; £18 10*s.* 7*d.*; £97 5*s.* 4*d.*; Gold, £44; P.O.'s: 7*s.* 6*d.*, 6*s.*, 5*s.*, 4*s.*, 3*s.* 6*d.*, 3*s.* 6*d.*, 2*s.*, 1*s.* Town cheques: £187 10*s.* 9*d.*; £216 10*s.* 7*d.*; Country cheques, £15 10*s.* 9*d.*; Bank Notes, 2 @ £10, 3 @ £5; M.O. £4, £3 7*s.* 6*d.*

8. Explain the following: Open Cheque; Bearer Cheque; Order Cheque; Crossed Cheque. Draw in your own name an open cheque on the Union of London and Smith's Bank in favour of J. W. Thompson, the cheque form being printed "or bearer." Explain what you would have to do to convert the cheque into (*a*) an "order" cheque; (*b*) a "crossed" cheque.

9. Explain what is meant by (1) a general crossing; (2) a special crossing. Give two examples of a "general" and three examples of a "special" crossing.

10. Explain what is meant by (1) Negotiability; (2) Transferability, and state as fully as you can the effect of crossing a cheque "not negotiable."

11. What is meant by "endorsing" a cheque. When does a cheque require endorsement. Suppose a cheque were drawn "Pay Robert Green . . . or order" and Robert Green endorsed it "Pay Hubert Grimes or order—Robert Green" would the cheque require endorsement by Hubert Grimes or would it be a "bearer" cheque requiring no endorsement?

12. Name the three parties to a cheque. If the cheque in question 11 were drawn by Grisewood and Co., what are the respective positions of H. Grimes and Grisewood and Co.?

13. Mention some points to be observed when drawing cheques and when endorsing cheques.

14. Mention the circumstances under which a banker would refuse to pay a cheque.

15. Explain the following: I/F; R/D; N/S. Give other formulæ used by bankers when refusing to pay a cheque.

16. What is a "marked" cheque; a "post-dated" cheque; a "stale" cheque.

17. Explain the general relationship between a banker and his customer.

18. Give the legal definition of a cheque and explain the position of a banker if he pay a cheque on a forged signature or on a forged endorsement.

CHAPTER XV

BILLS OF EXCHANGE AND PROMISSORY NOTES, DRAWING BILLS, ETC.

As a general rule, one party to a contract can only assign his rights under the contract to a third person, subject to any existing rights against him which the other party to the contract may have. Thus, if you had lent me the sum of £100, and I had supplied you with goods on credit to the value of £30, and you were to sue me for the £100, I should have the right to set off the £30 you owed me against the £100 I owed you, and you could only recover £70. Therefore if you assigned or transferred your debt of £100 to a third person (and you could only do this by writing and giving me notice that you had assigned your debt) and this third party were to sue me for the £100, I should still have the right to set off your debt of £30 against the £100 I owed, and he, too, could only recover £70. *Negotiable Instruments are exceptions to this general rule.*

A Negotiable Instrument is a document containing a contract, to the ownership of which document is attached all rights under the contract. Whoever is in *bonâ fide* possession of such a document is presumed to be the lawful owner of it, and therefore entitled to enforce all rights under the contract. The document, and with it all rights under it, is, as stated on p. 297, transferred, or negotiated, either by mere delivery, or by delivery accompanied by endorsement, and the person who takes it in good faith, takes it free from any rights which might be enforced against the person from whom he takes it, and free from any defect in the title of such person.

Examples of Negotiable Instruments. Bills of Exchange, Cheques, Promissory Notes, Bank of England Notes, Dock

Warrants, Dividend Warrants, Debentures payable to Bearer, Exchequer Bills, Bills of Lading, also, have many of the qualities of a negotiable instrument.

Bills of Exchange

Uses of Bills of Exchange. (1) *Like cheques they obviate the necessity for the employment of large sums in specie* with its attendant loss and danger. In the case of *inland bills*, *i.e.* bills both drawn and payable in the United Kingdom, the Channel Isles and the Isle of Man, this is no greater advantage than that afforded by cheques. But in the case of *foreign bills*, *i.e.* bills drawn at home and payable abroad, or bills drawn abroad and payable at home, or bills drawn abroad, payable abroad but negotiated in this country, it is a greater advantage, for the greater the distance to which money has to be remitted the greater the possible risk and loss in respect of transit expenses.

(2) *They facilitate the settlement of international obligations.* Berliner No. 1 sells to Londoner No. 1 goods to the value of £1000. Londoner No. 2 also sells to Berliner No. 2 goods to the value of £1000. Instead of Londoner No. 1 sending £1000 to Berliner No. 1 and Berliner No. 2 sending £1000 to Londoner No. 2, Berliner No. 1 draws a B/E on Londoner No. 1 for £1000, sells the bill to his banker, who resells it to Berliner No. 2, who remits it to Londoner No. 2, who then presents it for payment to Londoner No. 1. Thus the two sets of transactions are settled by a single Bill, and no money actually passes between the two sets of traders, but only between the two Londoners. In effect therefore the import of Londoner No. 1 has been paid for by the export of Londoner No. 2. For the sake of clearness the fact of Germany and Britain using different moneys or currencies has been ignored, but this in no way affects the principle of the settlement.

The cheque system has not been so highly developed on the continent as in Great Britain. Hence Bills of Exchange are frequently made to serve the purpose for which cheques would be used here, and it is a common thing to see the backs of continental bills covered with endorsements, and sometimes, so numerous are they, that resort has had to be made to a slip of paper, of the same width as the bill and pasted upon it, in order to accommodate the

endorsements. Such a slip is termed an *Allonge*, and the first endorser on the allonge adopts the precaution of making part of his endorsement appear on the bill itself and part on the allonge.

(3) *They offer an easy means of recovering the use of capital.* Credit transactions involve the locking up of money or capital with consequent loss to the seller, who, if the money were in his own possession, could use it either to extend his business transactions, or place it *on deposit* with his banker, and earn interest upon it at the bank's rate for deposits. One of the aims of every trader is to keep as much of his capital as possible at his own command, or, as it is called, in a *liquid* state. If a trader sells his customer, for cash, goods to the value of £10 the actual cost of which to him is £8, he recovers his cost price and makes a gross profit of £2 on the transaction, and he makes this gross profit of £2 as often as he can turn the recovered cost price of £8 into goods of the value of £10 and sell them. Suppose he does this twenty times in the course of a year, he then makes a yearly gross profit of £2 × 20 = £40, on his capital of £8. But if instead of selling for cash, he agrees to give his customer three months credit he can only utilise the recovered cost price of £8 four times in the year, and thus his annual gross profit would be £2 × 4 = £8. Should he desire to realise the annual gross profit of £40 he must employ a capital of £40. But the buyer equally with the seller desires to retain his capital at command; hence he endeavours to obtain from the seller as long a term of credit as he can. Thus to meet these rivals demands—the seller's demand for cash and the buyer's demand for credit (in other words, the retainment of the use of cash)—the Bill of Exchange is pressed into service. Reverting to the illustration where the seller gives his customer three month's credit for a purchase of £10, it is clear that if the goods were transferred by the seller to the buyer on the 1st day of January, the seller would not recover the use of the capital outlay involved, *viz.* £8, till the 1st day of April. To obviate this he, on the 1st day of January, draws a Bill of Exchange on his customer for £10, payable on the 1st day of April, which the customer accepts and returns to him, and then he discounts or sells the bill to his banker, for its face value, less the banker's charge for discounting, which we will take to be 4 per cent. In exchange therefore for the £10 due to him on April 1, the seller obtains immediate possession of the amount, less 4 per cent. for three

months = £10 − 2*s.* = £9 18*s.*, while at the same time the buyer retains the £10 due for the full term of the credit allowed to him by the seller.

(4) *They consolidate debts and facilitate recovery in the event of default.* By accepting a Bill of Exchange, *i.e.*, by signing his name across the face of the bill, a debtor acknowledges the existence of the drawer, the genuineness of his signature and his authority and capacity to draw. Hence, having accepted a bill, a debtor cannot afterwards deny any of these things. The account in settlement of which a bill is drawn and accepted is cleared away, and the Bill of Exchange takes its place. A creditor can at once take action upon a dishonoured bill, and may recover the amount of it, interest on the amount (usually 5%) from the day payment fell due, and the expenses of noting and protest if incurred. Similarly a cheque is an acknowledgment of indebtedness, and the payee of a dishonoured cheque may at once proceed against the giver of it.

Legal Definition of a B/E. A Bill of Exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to, or to the order of a specified person, or to bearer.

Here is an ordinary form of Bill of Exchange:

1/- stamp

£100 LONDON, *January* 15, 1910

Three months after date pay to Mr. John Brown the sum of One Hundred Pounds, value received.

WILLIAM WHITE

To Mr. ROBERT GREEN,
15 Bromsgrove Street
Birmingham

It will be noticed that there are three parties to every B/E, *i.e.* in the above bill:

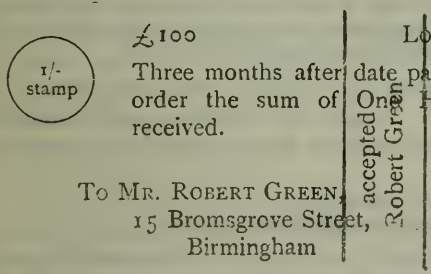
(1) the person who addresses it to another, viz. William White—the *drawer* of the bill.

(2) the person to whom it is addressed, viz. Robert Green—the *drawee* of the bill.

(3) the person to whom William White requires Robert Green to pay the money, viz. John Brown—the *payee* of the bill.

It frequently happens, however, that the drawer and the payee of a bill are the same person, as *e.g.* in the bill on p. 318 where Kingsford and White are both drawers and payees, since they require the money to be paid to themselves and not to a third person.

Accepting a Bill. Looking at the example given above it is clear that, as the bill stands, Robert Green is under no liability whatever as regards it. Any person could draw such a bill. Before it can be of any value as evidence of a contract, Robert Green must consent to become a party to it. He consents to become a party to the bill by *accepting* it, and he usually accepts the bill by writing across the face of it the words, "accepted," and underneath this word his name "Robert Green." His signature is however the vital thing, as it is immaterial whether he do or do not write the word "accepted." When Robert Green has accepted the bill it becomes what is known as an *acceptance*, and Robert Green is called the *acceptor* of the bill. The bill then appears as ollows:



(1) A bill may be accepted before it is signed by the drawer.

(2) It is usual to state that the bill is for "value received" but these words are immaterial, as every bill is presumed to have been given for value until the contrary is proved.

(3) The absence of a date does not invalidate a bill, and any holder may insert what he believes to be the true date when it is omitted; neither does the absence of the address of a drawer in any way invalidate a bill.

(4) A bill must be for a "sum certain" in money. It is, however, none the less a sum certain because it is required to be paid with interest, or by stated instalments, or at an indicated rate of exchange. If the sum be expressed both in words and in figures and the words and figures differ in amount, the sum denoted by the words is the amount payable.

(5) Unless the bill be made payable to bearer, a payee must be named, or otherwise indicated with reasonable certainty. A payee may be described by his office, *e.g.*, "Pay to the Secretary of the Gas Light and Coke Company."

Tenor of Bills. The time within which a bill is payable is called its *tenor*. A bill must be payable:

(1) *On demand.* "At sight" or "on presentation" have the same meaning. Or:

(2) *at a fixed future time.* See p. 319 for example. Or:

(3) *at a determinable future time.* See p. 324 for example.

Note. A bill may be made payable at a fixed time after the happening of an event which is certain to happen, *e.g.*, "Two months after my death, pay," but a bill cannot be made payable at a time contingent on the happening of an event which may never happen, *e.g.*, "Thirty days after arrival of ss. *Arabia* at Liverpool."

Modes of Accepting. An acceptance may be either (1) general, or (2) qualified.

(1) A *general acceptance* is one without any qualification which varies the effect of the bill, as *e.g.* the acceptances shown on pp. 307 and 319.

Note. An acceptance to pay at a particular place, as in the bill on p. 319, is a general acceptance unless the acceptance expressly states that the bill is to be paid at that place, and only at that place.

(2) A *qualified acceptance* is one which by its terms varies the effect of the bill as drawn. It may be (*a*) a *local* qualification, or (*b*) a *conditional* qualification, or (*c*) a *partial* qualification, or (*d*) a qualification *in time.*

E.g. Kingsford & White's bill p. 319.

If Anderson & Sons had accepted it "payable only at Lloyd's Bank, Wolverhampton" = local qualification.

If "payable on safe arrival of ss. *Venus*" = conditional ,,

If "accepted for £50" instead of for the amount for which it is drawn, viz. £105 10s. 9*d.* = partial ,,

If payable "Sixty Days after date" instead of as drawn, viz. "Thirty Days after date" = time ,,

Note. The drawer of a bill may and generally would refuse to take a qualified acceptance, and would treat the bill as dishonoured if he could not obtain an unqualified acceptance.

Dishonour of Bill. A bill is drawn with the intention that the drawee shall become a party to it, and eventually pay it. If a drawee refuses to accept a bill when presented to him for acceptance he is said to *dishonour* it, and if he refuse to pay a bill which he has accepted when it is presented to him for payment he *has dishonoured* it. A bill payable at a fixed time, *e.g.* the bill on p. 319, need not be presented for acceptance, but only for payment. In commercial practice, however, it is usual to present such a bill for acceptance, and this is the prudent course to adopt. But a bill drawn after sight, *e.g.* that on p. 324, must be presented for acceptance in order to fix the date of payment.

Negotiation of a Bill. When a bill is drawn and has been accepted, or even before it has been accepted, it is in the usual course handed to the payee. Thus, in the case of the bill on p. 307 William White may first send the bill to Robert Green for acceptance and then hand it over to John Brown, or send it in the first instance to John Brown and leave him to present the bill to Robert Green for acceptance.

A bill may be drawn payable to A.B., or A.B. or order, or to bearer, or to "A.B. or bearer." If it be made payable to A.B. the effect is the same as if it had been made payable to "A.B. or order," or "to the order of A.B." The payee, or any one to whom the bill is endorsed who is in possession of it, or the bearer of the bill, is called the *holder* of the bill. A "holder" is not the same as a "holder in due course."

Endorsement of Bill. An endorsement may be either (1) *special*, (2) *in blank*, (3) *restrictive*.

A special endorsement is one wherein the endorser specifies the person to whom the bill is payable. As *e.g.* "Pay to the order of Robert Adams—John Winterburn," or "Pay to Robert Adams—John Winterburn." The bill is still a bill "to order" and must be negotiated by endorsement and delivery. An endorsement in blank consists only of the name of the endorser, *e.g.* "John Winterburn." A bill endorsed in blank becomes a bill payable to bearer and may be negotiated by delivery only. A restrictive endorsement is one prohibiting the further negotiation of a bill, *e.g.* "Pay John Williams only," or "Pay John Williams for the account of Simpson & Brown," or "Pay John Williams or order for collection."

A Holder in Due Course. Any one who has taken a bill under the following conditions is termed a *holder in due course*:

(1) That the bill was complete and regular on the face of it.

(2) That it was taken before it was overdue, and without notice that it had been dishonoured (if such was the fact). The date shows whether a bill is overdue or not. A bill payable on demand is deemed to be overdue when it has been in circulation an unreasonable time. Any person who takes a bill under other circumstances is not a holder in due course but merely "a holder," and as such he has no better title to it than had the person from whom he took it.

(3) That it was taken in good faith and for value, and without notice of any defect in the title to it of the person from whom it was taken.

A Holder in Due Course may sue upon the bill in his own name, and he holds it free from any defect of title of the person from whom he took the bill or of any party to the bill.

Forged Signature to Bill. A forged signature has no value, and no one can obtain a right to retain a bill, or give a discharge for it, or enforce payment of it, through a forged signature. Thus, if a bill payable to order is stolen from the payee and the thief forges the payee's signature and negotiates the bill the endorsee acquires no rights in the bill. But when the signature of the drawer is forged, an acceptor cannot set up this forgery against an innocent holder, for he is not allowed to deny the genuineness of the signature of the drawer to a bill which he has accepted.

Payment of Bill. The Holder of a bill must duly present the bill for payment to the Acceptor. Otherwise the drawer and acceptors are, as a rule, discharged from liability.

Presentment for payment must be made at the proper place at a reasonable hour to the person who is bound or authorised to pay, and by or on behalf of a person entitled to payment. When a place of payment is specified in the bill, that is the place for presentment. When no place of payment is specified, but the address of the acceptor is given, that address is the proper place of payment. In other cases, the bill should be presented at the acceptor's place of business, if known, or, if not known, at his residence; or, failing either, to him personally wherever he can be found, or at his last known place of business or residence. Delay in presentment for payment is excused when the delay is not due to

default or negligence on the holder's part, and is dispensed with altogether under some circumstances which need not be specified here.

Days of Grace. When a bill is payable on demand presentment must be made a reasonable time after its issue, but a bill *not payable on demand* must be presented on the day on which it matures or falls due. The day is ascertained by adding three *days of grace* to the time of payment fixed by the bill, and the bill is due and payable on the last day of grace. If that day falls on a Sunday, Christmas Day, Good Friday, or any day appointed by Royal Proclamation as a public feast or thanksgiving day, the bill is due and payable on the *preceding business day.* If the last day of grace falls on a Bank Holiday, or on a Sunday and the second day is a Bank Holiday the bill is due and payable on the *succeeding business day.* In reckoning time, the day from which the time is to run is not counted, but the day of payment is counted. Thus, a bill payable in three months after sight, accepted on 1st March, is payable on 4th June. "Months" always means calendar months.

Liability of Acceptor. The acceptor of a bill is the party primarily liable upon it. By accepting the bill he undertakes to pay it according to the tenor of his acceptance, and in so doing he makes certain acknowledgments (*see* p. 306). If he dishonour the bill by refusing to pay it he may be sued upon it. He can seldom have any defence against a holder in due course, except in the case of forgery, but he may have a good defence against a holder who is not a holder in due course. If he accepts the bill without consideration that is no defence against a holder in due course, and it makes no difference that the holder in due course knew that the acceptor received no consideration for the bill. (*See* Accommodation Bills, p. 329).

Liability of Drawer and Endorsers. By drawing a bill the drawer engages that on due presentment it shall be accepted and paid, and that if it be dishonoured he will compensate the holder, or any endorser who is compelled to pay it. The endorser is in a similar position to the drawer, and engages to compensate any endorser subsequent to him who has been compelled to pay the bill. Neither drawer nor endorser is liable till the bill is dishonoured, as each only undertakes liability in the case of dishonour, therefore neither of them is liable unless and until he is given due notice of dishonour.

Notice of Dishonour. Notice of dishonour must be given within a reasonable time of the dishonour to the drawer and endorsers, as the drawer and any endorser not receiving such notice is discharged from liability. If a bill is dishonoured by acceptance being refused, and notice of dishonour is given, it is not necessary subsequently to give notice of dishonour by refusal of the drawee to pay. Where the holder of a dishonoured bill resides in the same town as the drawer the notice should be given to reach the drawer some time on the day after dishonour. When they reside in different towns notice should be given by the first convenient post after the day of dishonour. Delay may be excused when the delay arises from circumstances outside the control of the holder, *e.g.* mistakes of the post office. And notice may be dispensed with altogether under some circumstances.

Order of Liability. First the acceptor is liable, then the drawer, and then each endorser in the order in which he endorsed. Where several endorsements appear on a bill each endorsement is deemed to be made in the order in which it appears on the bill, unless the contrary is proved. This is the order of liability as between themselves, but the holder of a dishonoured bill has the right to call upon any endorser he chooses to pay the bill, and to sue if payment is refused. Any endorser, however, who is compelled to pay the bill has the right to make any other endorser above him repay him. Thus the liability may be forced back to the drawer, who must compensate any endorser who has paid, and finally to the acceptor, who must compensate the drawer. But in every case notice of dishonour must be given by the holder or any endorser to the person from whom he intends to recover the amount of the bill. The holder of a bill payable to bearer negotiating the bill by delivery and not by endorsement and delivery is under no liability as a party to the bill, but he does, however, warrant to any one giving him value for the bill that it is a good bill, and that at the time of negotiating he is not aware of any fact which makes the bill worthless.

Principal and Agent.

1. No person is liable as a party to a bill who has not signed it as such; but if a person sign a bill in a trade or assumed name he is liable just as if he had signed his own name.

2. If a partner sign the name of his firm the firm is liable, and each partner is liable to the same extent as if he had signed,

provided the partner signing was acting within the scope of his authority.

3. An agent signing for his principal and signing his own name only is personally liable on the bill and the principal is not liable, nor does the addition of a descriptive title affect the position, *e.g.* on a bill signed "John Wells, Agent," John Wells is liable and his principal is not. Similarly on a bill signed

Thomas Wilson
Andrew Elliot } Directors of the Standard Electrical Co., Ltd.

Wilson and Elliot are jointly and severally liable, and the Standard Electrical Co., Ltd. are not. If, however, the person signing a bill clearly indicates that he signs only in a representative capacity and on behalf of a principal he is not personally liable on the bill. In such a case the liability of the principal depends on the scope of the agent's authority. If the agent exceeded his authority in so signing he is liable to an action for damages, but not as a party to the bill. A signature by procuration operates as notice that the agent has only a limited authority, and such signature only binds the principal as far as the agent's authority extends. In such cases the agent usually writes the name of his principal and then his own name preceded by the abbreviation *pp.* (or *per pro.*). thus :

Arthur Somerville & Sons
pp. (or *per pro.*) John Abernethy.

Discharge of Bill. A bill is discharged when all rights of action upon the bill have become extinguished ; it may be discharged :

(1) By payment in due course, *i.e.* payment by the acceptor at or after maturity in good faith to a holder without notice of any defect in his title.

(2) When, by circuity of action, the acceptor himself becomes the holder of a bill at or after its maturity.

(3) When the holder renounces his rights against the acceptor, either in writing or by delivering up the title to the acceptor.

(4) When the bill is intentionally cancelled by the holder, and the cancellation is apparent. Similarly, a holder may discharge any party liable on the bill by intentionally cancelling his signature—such cancellation has the effect also of discharging all endorsers who endorsed subsequently to the signing by the party whom a holder has intentionally discharged.

5) When a bill is materially altered without the consent of all parties liable upon it, all parties are discharged except a party who has made, consented to, or authorised the alteration, and any parties who endorse after the alteration. A material alteration is an alteration of date, of amount, of the time of payment, or of the place of payment.

Intervention for Honour. When a bill has been protested for dishonour by non-acceptance, and is not overdue, any person who is not already liable on the bill may, with the consent of the holder, intervene and accept the bill for the honour of any person liable upon it. This is called *acceptance for honour supra protest.* Such an acceptance must be written on the bill, and must indicate that it is an acceptance for honour. By such an acceptance the acceptor undertakes to pay the bill according to the terms of his acceptance, provided:

(*a*) that the bill is duly presented to the drawer for payment
(*b*) that payment is refused by him;
(*c*) that the bill is protested for non-payment;
(*d*) that the acceptor has notice of the fact.

When these conditions are fulfilled the bill must be promptly presented to the acceptor after maturity; otherwise the acceptor is discharged from liability.

Similarly, any person may intervene and pay a bill for the honour of any party liable upon it. This is called *Payment for honour supra protest.* In order that such payment should have effect as a payment of the bill for honour, and not merely as a voluntary payment, the transaction must be certified by a notary. The effect of such a payment is to discharge all parties subsequent to the party for whose honour it is paid, but the person who pays has all the rights of a holder of the bill, against the party for whose honour he paid, and against all parties liable to that party. The person who intervenes is named upon the bill by the drawer, or the acceptor, or an endorser writing the direction. *In case of need apply to*

(e.g.) *John Wilkes & Co.*
13 Newgate St.,
London, E.C.

John Wilkes and Co. would be intimately acquainted with the person making the direction and be willing to act on his behalf, and thus save him from the stigma of having his bill dishonoured.

Promissory Notes

Legal Definition of Promissory Note. "A promissory note is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand, or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person or to bearer," *e.g.*,

London, *June* 26, 1910

£60

Two months after date I promise to pay Mr. James Bowden or order the sum of Sixty Pounds.

James Williamson

In a promissory note there are only two parties—the maker (James Williamson) and the payee (James Bowden). A note for less than £5 payable to bearer on demand is void in England. The law as to a promissory note is the same as that for bills of exchange, but the law as to acceptance, presentment for acceptance, acceptance supra protest and bills in a set has no application to notes, and when a foreign note is dishonoured protest is not necessary. Promissory notes are not much used in business.

Joint Notes. A promissory note made by more than one maker is a joint note, and the makers may be jointly liable or jointly and severally liable, according to the wording of the note. If the note begins, "We promise to pay," and is signed by two or more persons it is a joint note. If it begins, "I promise to pay," and is signed by two or more persons it is a joint and several note. If the makers are jointly and severally liable, one may be sued alone, and a judgment against him, if not satisfied, does not discharge any other maker.

Liability of Maker. The maker of a note cannot deny to a holder in due course the existence of the payee or his capacity to endorse. The maker is the person primarily responsible for payment, whereas the drawer of a bill is usually only conditionally responsible.

Notes Payable on Demand. A note payable on demand may be enforced by the original payee at any time within the Statute of Limitations, but if the note be endorsed it should be presented for payment within a reasonable time of the endorsement, otherwise

the liabilily of the endorser is discharged, though the liability of the maker is not affected.

Presentment for Payment. If a certain place is expressed in the body of a note as the place of payment, the note must be presented at that place. Otherwise presentment for payment is not necessary in order to render the maker liable. But to render an endorser liable presentment for payment is necessary, and when a note in the body of it is made payable at a particular place, presentment for payment must be made at that place. Should the note be dishonoured notice of dishonour must be given to the endorser.

Bank Notes. A bank note is a promissory note issued by a banker payable to bearer on demand. Notes are issued in this country by the Bank of England for £5, £10, £20, £100, £200, £500, and £1000, and by Country Banks and Scotch and Irish Banks. The aggregate note issues of the last three are, however, small compared with that of the Bank of England. Bank Notes for less than £5 cannot be issued in England and Wales, but they may be and are issued in Scotland and Ireland. Bank of England notes when presented at the Bank for payment are cancelled, but Scotch, Irish, and Country notes are re-issued. The growth of the cheque system has greatly diminished the utility of bank notes in the British Islands, but they are largely used abroad, where the cheque system is not so highly developed.

I O U. These letters form the recognised contraction for "I owe you." An I O U is an acknowledgment of a debt containing no specified date for repayment, usually given as a voucher for, or evidence of, a temporary loan for a small sum. The following is the common form;

I O U
Ten Pounds

August 13, 1920 ROBERT JAMES

An I O U as above requires no stamp, and the name of the creditor, though it sometimes appears, is not necessary. Any specification of a due date added to the above would convert it into a promissory note, and render it inadmissible as evidence unless stamped as such. An I O U is not a negotiable instrument.

Stamping Bills of Exchange:

Inland and Foreign Bills.

If payable on demand or at sight or within three days date or sight. For any amount . 1*d.*

The stamp may be embossed or adhesive; if adhesive it must be cancelled by the drawer of the bill.

Inland Bills.

All other bills not exceeding . . . £5 .	1*d.*
,, ,, ,, . . . £10 .	2*d.*
,, ,, ,, . . . £25 .	3*d.*
,, ,, ,, . . . £50 .	6*d.*
,, ,, ,, . . . £75 .	9*d.*
,, ,, ,, . . . £100 .	1*s.*
For every additional £100 or fractional part of £100 . . . . . per £100 .	1*s.*

Promissory Notes are stamped as inland bills except that a P/N payable on demand requires an *ad valorem* stamp. Thus a P/N on demand for £500 requires a 5*s.* stamp, but a B/E on demand for £500 only requires 1*d.* stamp.

Foreign Bills drawn abroad and payable abroad, but negotiated in Great Britain.

Not exceeding £5	1*d.*
Exceeding £5 and not exceeding £10 . . .	2*d.*
,, £10 ,, ,, £25 . . .	3*d.*
,, £25 ,, ,, £100 . .	6*d.*
Each additional £100 or fractional part . .	6*d.*

Drawing Bills, Etc.

I will assume that Messrs. Kingsford and White's ledger clerks have just finished making out the quarterly statements of account.

(1) There are a number of both town and country accounts usually settled by bills at 1 month, including that of Robert Anderson and Sons, Wolverhampton, £105 10*s.* 9*d.*

(2) The need of ready money being somewhat urgent one of the principals has selected several accounts of large amount and instructed the cashier to arrange for settlement by bill at 1 month. The account of James Braid and Co., Glasgow, £328 10*s.* 9*d.*, is one of these.

(3) There are a number of accounts due from Continental

customers including that of Herr Zinserling, Leipzig, Mks. 5896.40, and

(4) A number of accounts due from Colonial customers, including the account of Walker and Watts, Sydney, N.S.W., £268 10*s.* 9*d.*

I will also assume that the cashier has in his portfolio:

(5) An account sales showing a balance of £150 10*s.* 9*d.* due to May Bros., of Melbourne, and

(6) Three advices that drafts have been made on the firm as follows:

MM. Fournier & Cie., Paris, @ 3 days st. for fcs. 1086.75.

Chas. Broomhead and Sons, New York, @ 30 days st. for dols. 868.50.

Herren Finck and Roederer, Hamburg, @ st., mks. 98.60.

The bills included in (1) to (4) are, as concerns Kingsford and White, termed *Bills Receivable;* those in (5) and (6) *Bills Payable.* The bills receivable will be entered with full particulars in the *Bills Receivable Book*, and the bills payable will similarly be entered in the *Bills Payable Book.*

Bills Receivable (1) *Robert Anderson & Sons*, £105 10*s.* 9*d.*

This being an inland bill—*i.e.* a bill both drawn and payable in the British Islands—a single bill, or as it is termed, a *Sola of Exchange* is all that is necessary. A bill for £105 10*s.* 9*d.* @ 1 month requires a 2*s.* embossed stamp. The clerk will therefore select a bill form stamped for that amount and proceed to draft the bill and afterwards get it signed by his principal. The bill will then present the following form:

No. 1867. £105 10*s.* 9*d.*

LONDON, *2nd April*, 1910,
15–20 Crutched Friars, E.C.

2/- stamp

One month after date pay to *our* Order
One Hundred and Five Pounds Ten Shillings and Ninepence. Value received.

KINGSFORD & WHITE,
J. Kingsford.

To Messrs. Robert Anderson & Sons,
18 Queen Street,
Wolverhampton.

He will then address a letter to Anderson & Sons:

Dear Sirs,—Herewith we beg to hand you statement of account to March 31 last amounting to £105 10s. 9*d*., which we trust you will find correct. As usual we enclose a bill @ 1 month for the amount, which please be good enough to accept and return in due course.—Yours faithfully, &c.

On receipt of the statement and bill, Anderson and Son's clerk will verify the account, and, if in order, submit the bill to his principals for acceptance. The bill, having been accepted, will then present the following appearance:

No. 1867. £105 10s. 9*d*.

London, *April* 2, 1910.

15-20, Crutched Friars, E.C.

One Month after date pay to our Order
One Hundred and Five Pounds Ten Shillings and Ninepence. Value received.

Kingsford & White,
J. Kingsford.

To Messrs. Robert Anderson & Sons,
18, Queen Street,
Wolverhampton.

accepted. Payable at Lloyd's Bank Wolverhampton. Robert Anderson & Sons

Note. The words "payable at Lloyd's Bank, Wolverhampton," indicate what is termed the *domicile* of the bill or the place of payment. The above bill is said to be *domiciled* at Lloyd's Bank, Wolverhampton.

When the bill has been accepted and returned to Kingsford and White, three courses are open to them:

(*a*) They may place the bill in their bill case and hold it till maturity (the date of maturity will be May 5—*i.e.* 30 days from April 2, and 3 days of grace beyond), endorse it and pay it into their bankers for collection, say on May 3, to ensure its presentment at Lloyd's Bank, Wolverhampton on the actual due date, May 5.

(*b*) They may discount the bill with their bankers and immediately have the proceeds credited to their account. In that case the bill must be endorsed by Kingsford

and White to the order of the discounting bank. The bill will then become the property of the bank, and the amount of it can be recovered from the drawers by the bank in the event of its being dishonoured by the acceptors.

(*c*) They may negotiate the bill by endorsement and delivery to one of their creditors. Assuming the creditor to be John Bruce, the endorsement would run:

"Pay to the order of John Bruce,
Kingsford & White,
J. Kingsford."

The bill might be negotiated by an endorsement in blank, but this is not generally done in commercial practice.

From what has been assumed however (the need of ready cash), they will take the second course and discount the bill.

It may be well to point out here that contrary to what the student is told in some books the *discount* of a bill is not *interest* on the bill. It is slightly more than interest. For supposing the rate of discount on a 1 month's bill for £1000 to be 4 per cent., the bill discounter will charge 4 per cent. on £1000 for 1 month = £3 6*s*. 8*d*. But the amount credited to the customer is £1000 less £3 6*s*. 8*d*. = £996 13*s*. 4*d*., and 4 per cent. interest on that amount for 1 month is £3 6*s*. 5*d*.

It should also be mentioned that in practice an inland bill, except it were drawn on demand or at short notice—*e.g.*, 3 days—would not be signed by the drawers till *after* its acceptance and return by the drawers (*see* p. 309). Inland bills are usually drawn "on demand," or at a greater or less number of days or months after date.

(2) *James Braid & Co., Glasgow*, £328 10*s*. 9*d*. It has not been the custom for these debtors to accept a bill. Hence a letter must first be sent asking their concurrence. The following would serve the purpose:

Dear Sirs,—We enclose you herewith quarterly statement to end of March last amounting to £328 10*s*. 9*d*. It would be a convenience if instead of remitting by cheque as usual you would kindly accept our bill at 1 month for the amount. Awaiting the favour of your reply, we are, &c.

If James Braid and Co. consented to this course (some firms object to accepting bills), the bill would be prepared, and the procedure followed exactly as described, the only difference being that the bill would require a 4/- bill stamp.

(3) *Herr Zinserling, Leipzig, Mks.* 5896.40. In the case of continental customers settlement is usually effected by bill, either by the debtor remitting a bill on London, or the creditor drawing. I will assume the latter, though less frequent, course is followed. The bill might be drawn, and then forwarded to Zinserling for acceptance and return to the drawers, but most probably Zinserling would not see the bill till it was presented to him for acceptance by the collecting bank. In this case the bill might be drawn in duplicate, *i.e.* a first and second of exchange. Continental Bills are still frequently drawn in duplicate, though the safety and regularity of the post almost renders this course unnecessary, except in comparatively speaking unsettled countries. Mks. 5896.40 at par (see p. 390) is something less than £300. The first of exchange must therefore bear a 3/- stamp; the second will be unstamped. When the bill had been prepared it would appear as follows:

No. 1900. *Mks.* 5896.40. LONDON, *2nd April*, 1910.
15–20 Crutched Friars, E.C.

3/- stamp

Thirty days after *date* of this *First* of Exchange. *Second* of the same tenor and date unpaid pay to the order of The Deutsche Bank the sum of Five Thousand Eight Hundred and Ninety Six Marks Forty Pfge. Value received.

To Herr A. Zinserling.
18–19 Zuerstrasse.
Leipzig.

KINGSFORD & WHITE,
J. Kingsford.

The Second of Exchange would be exactly as above except that it would read: "Thirty Days after date of this *Second* of Exchange *first* of the same tenor and date unpaid." The First and Second of Exchange pinned together would then be sent to the manager of the Deutsche Bank with a covering letter:

DEAR SIR,—Herewith we beg to hand you thirty days draft in duplicate on A. Zinserling of Leipzig for Mks. 5896.40. Kindly

collect same and place the proceeds to our credit in due course (or kindly collect same and favour us with proceeds in due course).—Yours &c.

Note. The first form of words would be used if the Deutsche Bank made advances against bills held for collection ; the second, if they remitted as the drafts were collected.

The Bank would then formally acknowledge receipt of the draft.

Care must also be taken to advise Zinserling that the draft has been made, otherwise he might refuse acceptance. The following would be an appropriate form of advice :

DEAR SIR,—We forward you herewith statement of account to March 31 last amounting to Mks. 5896.40, and beg to advise you that we have to-day drawn upon you at thirty days through the Deutsche Bank for the amount. Kindly honour our signature on presentation, and oblige, Yours faithfully.

(*a*) If Kingsford and White had been debtors to other German firms they would in all probability have drawn bills upon Zinserling to the aggregate amount of his indebtedness in favour of these German creditors and thus transferred the money due from their debtor to their creditors. In this case, however, the proceeds of the bill are to come to them, so they draw the bill to the order of the collecting bank. The Deutsche Bank will endorse the bill to their Leipzig office, send it there, and the Leipzig office will present the bill to Zinserling for acceptance, hold it till maturity and then present it for payment. The London office will be advised of its payment and will then either remit to Kingsford and White the equivalent of Mks. 5896.40 at the rate of exchange at which the draft was collected, or place the proceeds to the credit of their account, whichever may be the arrangement. Assuming the rate of exchange to be £1 = Mks. 20.43, the equivalent in sterling would be £288 12*s.* 3*d.* But from this amount the Deutsche Bank's commission must be deducted, so that the sum credited or remitted to Kingsford and White would be somewhat less than this.

(*b*) Bills are usually drawn on Continental cities on demand, or at so many days or months after date. In this case the bill is drawn at 30 days, so that it will mature for payment on May 2. There are no days of grace in Germany.

(*c*) The reason for drawing the bill in duplicate is to provide an alternative to the original should it miscarry. The second of Exchange is termed the *Secunda Via*, and is forwarded, as the name indicates, by a subsequent mail to the original. See p. 187 for a few points respecting this matter.

(*d*) Kingsford and White would probably, seeing that they have a large foreign connection, obtain advances from the Deutsche Bank on the bills held by them for collection. Advances are usually made up to two-thirds of the face value of the bills. See p. 326

(4) *Walker & Watts, Sydney*, £268 10*s.* 9*d.*

(5) *May Bros. Melbourne*, £150 10*s.* 9*d.*

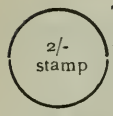
In this case it would obviously be the easiest way to settle these accounts by sending May Bros. a draft for £150 10*s.* 9*d.* on Walker and Watts of Sydney, and then drawing on Walker and Watts for the balance of £118.

Bills drawn on remote countries are drawn in triplicate. A bill drawn in triplicate is said to be *drawn in a set*. As with bills in duplicate the original only is stamped.

All the parts of such a bill constitute but one bill, and only one part is presented for acceptance. If two or more parts were presented and accepted and got into the hands of different holders in due course, the acceptor would be liable on each to the holder of that part. Also if the holder were to endorse two or more parts to different persons he would be liable on each part. If the acceptor were to pay the bill without requiring the part he accepted to be delivered to him he might be required to pay it again, if it were in the hands of a holder in due course. Except in such cases payment of a part discharges the whole bill. The First of Exchange is forwarded by one mail, the second by a succeeding mail, and the third is usually retained by the London office of the collecting bank.

When drawn the bills would present the following appearance :

No. 1910. £150 10s. 9d. LONDON, *2nd April*, 1910.
15–20 Crutched Friars, E.C.



Thirty Days after sight of this First of Exchange. Second of the same tenor and date unpaid pay to the order of Messrs. May Brothers the sum of One Hundred and Fifty Pounds Ten Shillings and Ninepence. Value received.

To Messrs. Walker and Watts,
18 Little George Street,
Sydney, N.S.W.

KINGSFORD & WHITE,
J. Kingsford.

In this case a duplicate bill would be sufficient—the duplicate being forwarded to May Bros. by the following mail. The Second of Exchange would read " Thirty days after sight of this Second of Exchange First of the same tenor and date unpaid &c."

No. 1911. £118 0s. 0d. LONDON, *2nd April*, 1910.
15–20 Crutched Friars, E.C.

Thirty Days after Sight of this First of Exchange. Second and Third of the same tenor and date unpaid, pay to the Order of The Union Bank of Australia Ltd. the sum of One Hundred and Eighteen Pounds. Value received.

To Messrs. Walker & Watts,
18 Little George Street,
Sydney, N.S.W.

KINGSFORD & WHITE,
J. Kingsford.

The Second of Exchange would run, " Thirty Days after sight of this Second of Exchange First and Third of the same tenor and ate unpaid &c.," and the Third of Exchange would run, " Thirty Days after sight of this Third of Exchange First and Second of the same tenor and date unpaid &c."

Letters of advice would be required in both cases; to May Bros. as follows :

DEAR SIRS,—Herewith we hand you account sales for shipment ex " Sulieman " 24/2/1910, showing balance in your favour of £150 10s. 9d., in settlement of which we enclose you herewith

First of Exchange at 30 days on Messrs. Walker and Watts of Sydney.—Yours faithfully &c.

And to Walker and Watts as follows:

Dear Sirs,—We enclose you herewith usual quarterly statement to the end of March last amounting to £268 10*s.* 9*d.* We have drawn upon you in settlement as follows:

@ 30 days st. for £150 10*s.* 9*d.* in favour of Messrs. May Bros. of Melbourne.

@ 30 days st. for £118 through the Union Bank of Australia.

Commending both drafts to your kind protection—We are &c.

Kingsford & White's letter to the Union Bank of Australia would be similar to their letter to the Deutsche Bank.

Note (*a*) The above drafts have been drawn at 30 days st. Drafts on remote countries are usually drawn payable at sight or on demand or at so many days or months after sight. The reason for this will be apparent to the student who reflects that transit to Sydney occupies 32 days, and that a bill drawn @ say 30 days date would be overdue before it reached the drawees. The drawees are generally entitled to time in which to meet the draft, so it is drawn payable at a variable period of time after sight or acceptance.

(*b*) As soon as May Bros. receive the draft on Walker and Watts they forward it to them by post and ask them to accept and return it. On this being done they have the option of the three courses mentioned on p. 319.

(*c*) The collection of the draft on Walker and Watts is effected by the Union Bank of Australia in the same way as the Deutsche Bank collected the draft on Zinserling.

From these typical examples it will be seen that the Bill of Exchange has enabled Kingsford and White to obtain possession of a large part of their capital, represented by goods sold, long before they otherwise would. They have (1) discounted inland acceptances held by them, (2) obtained advances on bills out for collection, and (3) cheaply and easily paid some of their foreign and colonial creditors. They are, of course, liable to the bank, and to creditors paid by bill drawn on their customers, for any bills that may be dishonoured, but every trader runs the risk of default by his customers; against this they lose the discount charges, interest

charges for money advanced against bills for collection, and the banker's commission for collecting the bills. These charges lessen their net profits but the convenience of immediate cash is sufficient compensation.

Collecting Foreign and Colonial Bills. Firms who do a large foreign and colonial trade as in the imaginary case of Kingsford and White do not send their foreign bills to their general bankers for collection, but draw them to the order of selected banks doing business in the country on which the bills are drawn and having London offices. Thus Bills may be drawn in favour of Banks as follow:

Continental	The Deutsche Bank or The Crédit Lyonnais.
Australian	The Union Bank of Australia.
New Zealand	The National Bank of New Zealand, Ltd.
South African	The Standard Bank of South Africa.
West African	The Bank of British West Africa.
Canadian	The Bank of British North America.
Indian	The National Bank of India, Ltd.
United States	Brown, Shipley & Co., Ltd.
South America	The London & River Plate Bank.
Chinese	The Hong Kong & Shanghai Banking Corporation, Ltd.
Japanese	The Yokohama Specie Bank.

Half-yearly or quarterly Dr. or Cr. statements are rendered by the banks showing the amounts advanced against the bills and the amounts collected (each collection is also advised as effected). Interest usually @ 6 per cent. per annum is charged out against each advance and credited against each collection from the time either was made to the close of the period covered by the statement. Generally the banks advance up to two-thirds of the face value of bills sent for collection (see my book "Commercial Correspondence" p. 214, for correspondence *re* bills). If the bills were remitted as collected no half-yearly statements would be rendered, but only the slips setting forth particulars of each collection.

Bills Payable. Having dealt with the bills receivable the three bills payable, advices of which are in the hands of Kingsford and White's cashier, now claim attention. For convenience I will assume that all the bills are presented on the same day and by the same bank—Lloyd's Bank, Ltd. As soon as he received the advices the cashier turned up the accounts of the three creditors and satisfied himself that they were entitled to draw. Assume that they were. The three bills are in the hands of the bank either drawn to

their order, or endorsed to their order by the foreign banks from whom they received them. All the bills are in foreign currency. The first thing the bank does is to convert the bills at the exchange of the day into sterling, and write the rate of exchange and the new amount immediately above the amount in the foreign currency. Say the new amounts are as follows:

Fournier's bill 3 days st. frs. 1086.75 @ 25.30 = £42 19*s.* 1*d.*
Broomhead & Sons 30 days st. $ 868.50 @ 4.87 = £178 6*s.* 9*d.*
Finck & Roederer st. mks. 98.60 @ 20.43 = £4 16*s.* 6*d.*

The bank then hands the bills with others to a clerk, termed a *Walks clerk*, in whose district Kingsford and White's offices are situated. The Walks clerk carries these bills in a satchel which for safety is attached by a chain to his person. He proceeds to Kingsford and White's counting house, takes out the three bills and calls: "Bills for Acceptance!" The first two bills he will leave with the cashier, but the third sight draft he must get accepted at once. As the amount is small the cashier will probably say, "I'll pay this in cash." The Walks clerk will then write out a receipt for £4 16*s.* 6*d.* on the back of the draft and hand it to the cashier against the cash. He will then enter the payment in his book, and so far as that bill is concerned the transaction is closed. The following day the Walks clerk again presents himself. This time he calls "Bills left!" In the meantime the cashier has impressed a stamp across the face of the two bills, reading somewhat as follows:

Sighted 10th April 1910.
Accepted payable at the Union
of London & Smiths Bank Ltd.
Princes St. E.C.
Kingsford and White,

and obtained Mr. Kingsford's signature to the acceptance. He asks for particulars from the Walks clerk, who then states the amounts of the bills and the name of his bank. The bills are then handed to him, he looks at the acceptances to see if they are in order, places them in his satchel and delivers them to his superiors at the bank, who hold them till maturity. All that the cashier has to do now is to see that on the due dates, *viz.*, April 16 for the 3 days draft, and May 13 for the 30 days draft there is sufficient money to the credit of the firm's account with the Union of London and Smiths

Bank to meet the drafts. He does this by daily reference to the bills payable book, where full particulars of all acceptances are entered, and to his Cash Book. The acceptance of a draft by a bank's customer operates as authority to the banker to pay it on presentation and to debit his customer's a/c. But in cases where it is not usual for a customer to accept bills a banker would require the customer to advise him that an accepted bill was to be paid on presentation. In the vast majority of cases drafts are paid, like cheques, by bankers without advice.

Dishonouring Bills. Suppose now that in the case of Broomhead of New York who drew at thirty days st. for $868.50 the cashier found that (1) the amount due was only $300 or (2) that the goods had been rejected because they were inferior to sample, or (3) that the agreed credit was six months, whereas, allowing for the thirty days, the credit only worked out at three months, or (4) that there was an overdue contra account against Broomhead of $500, or (5) there was any other reason which would justify the dishonour of the bill. Immediately on discovery of the facts the cashier would send Broomhead a statement of them and politely intimate that the bill could not be accepted. Nevertheless it would be on the way, and when it was presented by the Walks clerk the cashier would return it unaccepted with the remark that it was "out of order." The following day it would be re-presented by a *notary* public, usually a solicitor, one of whose functions is to certify the presentation and dishonour of bills. To him would be given the reason for dishonour. He would then write upon a little slip of paper printed with his name (or his firm's name) and address, the date, the words "out of order," and the amount of his fee for noting the bill, and return the bill to the bank with the slip attached to the bill. The bank would then advise their New York correspondents of the non-acceptance of the bill and ask for instructions. In this case the instructions would probably be to return the bill. But if the bill had wrongfully been dishonoured the instructions would be to protest the bill. The *Protest* is a written certificate given by the notary that the bill was dishonoured. It contains a copy of the bill, specifies the person at whose request it was presented, the place, date and other particulars of the presentment, or else the fact that the drawee or acceptor could not be found. If an inland bill is dishonoured it may be noted but need not be protested, but a foreign bill must be noted and protested, otherwise the drawers and endorsers are discharged.

If Kingsford and White, having accepted the bill, had been unable to pay it, owing to want of funds at their bankers, the bill would, in that case, be protested for non-payment by the notary at the bank where the bill was domiciled—in this case the Union of London. The student will see that it is a serious thing to dishonour a Bill of Exchange, and only grave reasons can justify the act.

Had the position been the other way round, *i.e.* had Kingsford and White received a Bill of Exchange from one of their debtors, and it had been dishonoured—a bill, *e.g.* that had been negotiated several times before it came into their possession, then immediately on receipt of advice from the bank that the bill had been dishonoured Kingsford and White must forthwith inform the drawers and the endorsers of the dishonour, otherwise they are, generally, discharged from liability. Naturally they would first of all look to their debtor. A letter would be sent to him stating the facts and requesting immediate payment of the amount of the bill plus noting and protest charges, if the latter had been incurred, and on his paying the amount he would be entitled to possession of the bill. The endorser would, in turn, write in a similar strain to the person from whom he received the bill, and thus the liability would be thrust back from endorser to endorser to the drawer of the bill and finally by him to the acceptor.

Renewing a Bill. It may happen that the acceptor of an inland bill, anticipating his inability to meet the bill on presentment for payment, may write to the drawer asking him to renew the bill, or the bill may have been accepted on the understanding that if necessary it would be renewed. In such cases, he will, as may be arranged, either pay something on account of the bill, and accept a fresh bill for the difference plus interest at 5 per cent. per annum and bill stamp for the amount and term of renewal, or renew the whole bill at interest, plus bill stamp. On receipt of the cheque and the new acceptance, or the new acceptance alone if the whole bill is renewed, the drawer will cancel the old bill and return it to the acceptor. Should the drawer have discounted the bill it will be necessary before he can return the bill to the acceptor to write to the discounting banker instructing him to return the bill and to debit his current account with the amount.

Accommodation Bills. A bill which does not represent an actual exchange of values but which is drawn by one person and accepted without consideration by another merely to enable the drawer to

raise money on the bill, is termed an *Accommodation Bill*, and the person lending his name an *Accommodation Party*. The acceptor of such a bill is not liable to the drawer by reason of lack of consideration, but if the drawer negotiate the bill for value to a third party the acceptor is liable to such third party and must pay him should the bill be dishonoured. The drawer is in turn bound to compensate the acceptor, but inasmuch as the drawers of such bills are most frequently men of straw the acceptor usually stands a very poor chance of recovering the amount of the bill.

Sometimes both drawer and acceptor are worthless persons and a third person in good credit is induced to endorse or as it is termed "back" the bill. In this case, if the bill were dishonoured the endorser would be the sufferer. *Kites* and *Windmills* are other expressive but slang terms for such bills. Accommodation bills are not all however of this worthless character. *See* p. 405 for examples of accommodation bills which serve proper and highly useful functions.

Usance. The *tenor* at which it is customary to draw bills on foreign countries is termed the *usance*. In some books elaborate tables of usance are given. The student may safely ignore them, since variations in usance have almost disappeared. The usance for most continental countries is 3 months, for Lisbon and Oporto 90 days, for Calcutta and Bombay 30 days; for the U.S. and Canada it is variable. Drawers of bills consult their own convenience or conform to arrangements made with the firms on whom they draw. The general rule is to draw on demand, or days or months after date for continental bills; on demand, at sight or days or months after sight for Colonial bills, bills on the Far East, and bills on extra European countries generally. (See p. 396 for the way bill brokers quote their prices.)

Bankers' Drafts. These are demand drafts drawn by bankers on their agents or branches either abroad or in this country. They are drawn against cash deposited by the buyer at the time of purchase, or, if he have an account with the bank, against debits to current account. The purchaser hands the issuing bank particulars of his requirements (payees, city, amount), and the bills are then drawn in accordance with the requisition. Bankers charge a small commission for issuing such drafts.

Documentary Bills. Frequently a British firm making a shipment abroad, or a foreign or colonial firm exporting goods, adopts the

expedient of drawing for the amount of the shipment against the shipping documents. Suppose, *e.g.* Jones Brothers, china manufacturers, of Worcester, have made a shipment of china value £156 10*s.* 9*d.* to the Gordon Proprietary Ltd., of Sydney, N.S.W. They draw on the consignees either at sight or otherwise as arranged, and attach the bill to the Bill of Lading, the Insurance Policy and Invoice. The Bill is drawn in triplicate, and each copy has a Bill of Lading and copy invoice attached—only the original Bill of Exchange and Bill of Lading being stamped. The draft is endorsed to the order of the collecting bank, but the Bill of Lading is generally endorsed in blank. A slip is pinned to the draft instructing the bankers whether the documents are to be given up against acceptance or against payment of the draft. The branch of the collecting bank in Sydney presents the bill to the Gordon Proprietary Ltd., and, either on their accepting or paying the draft, according as the bank is instructed by the shipper, hands over the shipping documents to them. An importer who, to obtain possession of the goods, paid the bill before its due date would receive a *rebate* of a variable rate per cent. on the amount for the unexpired term of the bill. This is called *retiring a bill under rebate.* Any acceptor may retire a bill before its due date and secure interest for the unexpired term. A shipper sometimes attaches to the bill and shipping documents a letter termed a *Letter of Hypothecation*, empowering the collecting bank in the event of the bill being dishonoured to sell the goods. In these days of extended telegraphic facilities Letters of Hypothecation are not necessary, and where a consignee fails to accept or pay the documentary bill the agents of the collecting bank would telegraph for instructions, or there and then sell the goods. An exporter would not, of course, ship goods even on these terms of comparative security unless he had confidence in the consignees. Since the collecting banker does not advance the full value of the shipment to the shipper, he is fully covered; but should there be any deficit he could recover it from the drawers of the bill. The wording of Documentary Bills is no different from that of ordinary bills, and the elaborate particulars and instructions sometimes shown in specimen documentary bills given in some books, though appropriate enough in the days of sailing ships, are no longer to be found on these bills.

India Council Bills. The Indian Government has, during every year, to remit to the India Office of the British Government many

millions of pounds for interest on loans and for the upkeep of the civil and military forces in India. The currency of India is a silver currency, but these charges must be met by India in gold. Instead, therefore, of purchasing and remitting drafts payable in London in gold, or shipping silver bullion and selling it at the market price, the Indian Government periodically advises the British Government of the sum ready for remittance, and the India Council thereupon offers Bills on the Indian Treasuries (Calcutta, Bombay, Madras) payable in India in rupees. Discount houses and bankers here, who have to remit to India, tender for these bills, which are allotted to the highest bidders, and pay for them in gold. In this way the indebtedness of India to the British Government, which is payable in gold, is cancelled against the remittances due in India in silver by the British mercantile community.

Telegraphic Transfers (T.T.s). Instead of Bills on the Indian Treasuries, bankers and others may purchase Telegraphic Transfers, which may be regarded as cheques, since the orders to pay, instead of taking from 14 to 16 days to reach India, as in the case of bills, are transmitted by telegraph in the course of a few hours. T.T.s are also in general use between Great Britain and other countries. (See Course of Exchange, p. 396.)

Bank Post Bills (B.P.B.s). In every weekly return of assets and liabilities made by the Bank of England there appears on the Debtor side an item "Seven Day or other Bills." These are bills issued by the Bank at 7 or 60 days free of charge to the public. They are drawn by one branch upon another branch of the Bank, and afford a convenient way of remitting money from one part of the country to another. But the cheque system has largely superseded the use of B.P.B.s, and the aggregate issue of such bills is small.

Letter of Credit (L/C). A L/C is a document issued by a banker addressed to a banker abroad, or to several bankers in different foreign towns (in the latter case it is termed a *Circular L/C*), authorising such banker or bankers to pay to the bearer of the document against his bills such sums as he may require. The L/C is expressed for a particular sum, and, as the bearer's bills are cashed, particulars of the payment are entered on the L/C by the paying banker. Drawings against Letters of Credit exert some influence on exchange movements, particularly during the holiday months, as the amounts disbursed by the foreign bankers, plus their

commission as agents, must be covered by the banks issuing the Letters of Credit. (See p. 405.)

It was formerly the custom for merchants to issue Letters of Credit on other merchants abroad with whom they were connected in favour of partners, travellers and other accredited representatives. The extension of banking facilities has made this form of L/C unnecessary.

Extra Wording on Bills. Directions are frequently added to bills having reference to (1) costs of collection, (2) rate of exchange at which the bill is to be paid, (3) noting and protest charges, (4) interest payable, *e.g.*:

With Bankers' charges added. These words provide that the acceptor of the bill, in addition to paying the amount of the bill, shall also pay the banker's charges for collecting it.

With Exchange added or *With Exchange and Banker's charges added.* Drawers of bills in sterling expect to receive the exact amount for which the bill is drawn. These words provide that the banker shall collect the bill at such a rate of exchange as shall produce the full sterling value of the bill. Any loss on exchange is thus borne by the acceptor, and not by the drawer of the bill.

Payable at the rate of Exchange as per first London endorsement. This formula is also used for bills drawn on foreign countries in sterling. The purchasing banker converts the bill at a rate of exchange which at the time is the exact equivalent of the sterling amount, writes the rate of exchange and the new amount above the sterling figures, and endorses the bill as payable at that rate. In order that the drawee of the bill may know what he has to pay, the drawer must advise him of the rate of exchange at which the bill has been negotiated. The drawer of such a bill runs no risk of loss by exchange, but the drawee may lose or gain according as the rate at which the bill was first negotiated is less or more favourable to him than the rate of exchange ruling at the time he pays the bill.

Sans Frais = without expense. These words are sometimes added to Continental bills in cases where the drawers have reason to believe that the bill will not be met. They are an instruction to the bank not to incur noting or protest charges. But inasmuch as the meaning of the words is well known to the drawees a better course is not to mark the bills "sans frais" but to give the collecting banker separate instructions as to the course he is to follow in the event of dishonour.

Payable at the ..... bank's rate for demand drafts on London with interest at 6 *per cent. per annum from date hereof to approximate due date of the arrival of the remittance in London.* These words are added to bills where the goods have been sold on a cash basis, but where, to accommodate the customer, the seller has agreed to payment by bill. When the acceptor of a bill finds that he cannot fully meet it he is always able, provided his credit is otherwise good, to arrange with the bank for time in which to pay it, the bank charging interest on the amount outstanding, and crediting or remitting the interest with the proceeds of the bill to the drawer.

Sans Recours = without Recourse. These words placed alongside an endorsement exempt the endorsee from liability in the event of the bill not being paid. An agent endorsing on behalf of a principal could appropriately use them.

Purchasing Bills from Bill Brokers. Where a merchant has to remit money abroad, and has no debtors on whom he can draw in his creditor's favour, he can always obtain bills and frequently cheques on foreign cities from the bill brokers. He buys the cheques or bills at the rates of exchange stated in the broker's course of exchange. (See Foreign Exchanges, p. 396.)

Average Due Date. On June 1 a merchant owes bills as follows:

£120 due July 1.
£200 ,, Aug. 15.
£180 ,, Sept. 16.

He desires to settle all the bills by one payment at one time. When should he make the payment so that neither he nor his creditor suffers any inequality in respect of interest? Find the number of days between June 1 and the date when each bill respectively falls due = 31, 76, 108. Multiply the number of days before the first bill is due by its amount, and deal similarly with the other bills = $120 \times 31 + 200 \times 76 + 180 \times 108 = 38,360$. Divide the total by the sum of the bills = £500. Hence the average or *equated time* from June 1, when the bills could fairly be paid by one sum of £500, is about $76\frac{3}{4}$ days, which gives August 16 as the average due date. This rule only applies where compound interest is involved, and when all the bills are due to one creditor.

Test Paper XXIV

1. Define a "Negotiable Instrument" and give as many examples of such instruments as you can.

2. Mention four advantages attaching to the use of B/E, and show how they are used to finance general trade.

3. Give the legal definition of a B/E. How many parties are there to every B/E, and by what names are they known?

4. What do you understand by (1) accepting; (2) endorsing a bill? What is meant by the "tenor" of a bill?

5. There are two kinds of acceptances. State what they are.

6. In what particular does a contract evidenced by a B/E differ from an ordinary contract? Name the different kinds of endorsements of B/E and give examples of each.

7. What do you understand by the negotiation of a B/E?

8. Explain "days of grace." Is the custom of allowing days of grace universal? Suppose an inland bill is drawn on June 30 payable 2 months after date, when is it due? If it were drawn on June 18 and payable at 10$^{d}/_{d}$ when would it be due? If it were drawn "on demand" when would it be due?

9. Differentiate between a "Holder" of a bill and a "Holder in due course" of a bill.

10. Who is primarily liable on a B/E? What is the position of a drawer of a B/E and of an endorser of a B/E.

11. Distinguish between "Inland" B/E and "Foreign" B/E. Is there any difference in the procedure followed, in the event of dishonour, of an inland and a foreign bill?

12. What do you understand by "Intervention for Honour"; "Acceptance for Honour supra Protest"; "Payment for Honour supra Protest"; and how would you, the holder of a bill, act if it were returned dishonoured and were marked "In case of need with Brown Dobson and Co., 186 Strand, London." What is the position of any "case of need" who pays a dishonoured bill?

13. Define "Promissory Note." How does a P/N differ from a B/E?

14. What is a "Joint" Note and a "Joint and Several" Note?

15. Define "Bank Note." In what particulars do notes issued by banks in England and Wales differ from those issued by Scottish and Irish banks, and Bank of England notes from all other British notes.

16. What is an IOU? Is it a negotiable instrument? Need it be stamped?

17. Give the scale for stamping B/E (both Inland and Foreign) and state the difference, if any, between stamping Promissory Notes and Bills of Exchange.

18. On April 15, 1910, Winterbottom and Co., of 15 High Holborn London, draw a B/E at 1 m d for £186 14s. 11*d.* on Simmons and Co., of Wheelergate, Nottingham, payable to Barrett and Sons of Liverpool. Show the bill; advise Simmons and Co. that the bill has been drawn; send it to Barrett and Sons. Show your covering letter; explain what Barrett and Sons would do when they receive the bill; show Simmons and Co.'s acceptance of the bill, which they domicile at Lloyd's Bank, Nottingham; state the due date and also the day when Barrett and Sons would hand the bill to their bankers for collection.

CHAPTER XVI

PARTNERSHIP; BANKRUPTCY; BOARD OF TRADE

Partnership

Definition. A person who carries on business by and for himself exclusively is termed a *Sole Trader*. But business is also carried on by Joint Stock Companies (*see* p. 415), and also by two or more persons who in agreed proportions share both in the management of the business and the profits or losses resulting from the trading. Such a combination of traders is called a *Partnership*, and the persons forming it are called *Partners*. The business is known collectively as a Firm. The law relating to Partnership is mainly contained in the Partnership Act, 1890, and in that Act a Partnership is defined as: "the relation which exists between persons carrying on a business in common with a view to profit." By the Companies' Consolidation Act, 1908, no partnership may consist of more than 20 persons, or, in the case of a bank, of more than 10 persons, unless it is registered as a company.

Characteristics of a Partnership. In an ordinary partnership (1) each partner is personally liable for the whole of the debts of the partnership; (2) each partner usually contributes a sum of money termed *Capital* to the common fund. Such contributions may or may not be of equal amounts, and frequently one or more of the partners contributes, in lieu of capital, expert knowledge of the business which the partnership is formed to undertake. (3) Each partner shares the profits and also the losses resulting from the prosecution of the business, and just as the capital contributed by each may vary in amount, so also may the respective shares in the profits and losses apportioned between the partners vary. Sometimes, in addition to a share in the profits, one or all of the partners are entitled to a salary for actively engaging in the partnership

business. (4) In the absence of any special agreement to the contrary each partner is entitled to share in the conduct of the business.

Deed of Partnership. A partnership may be agreed upon verbally or be implied from the conduct of the parties, but usually the respective rights and duties of the members of a Partnership are set forth in a *Deed of Partnership*, which is signed by all the Partners. Every properly drawn up Partnership Deed defines the arrangements agreed upon with regard to (1) Capital and the manner and amounts in which it is to be contributed; (2) The drawings of the Partners; (3) The division of profits and losses; (4) The allowance of interest on capital and the charging of interest on drawings; (5) Partners' salaries, if any; (6) Goodwill; (7) The preparation of annual accounts. If there be no Deed of Partnership, and dispute should arise between the Partners, or if the Deed of Partnership does not fully cover the points in dispute, an Arbitrator is usually appointed to adjudicate between the parties, and his judgment is based upon the intention of the parties as inferred from their conduct, and upon the Partnership Act, 1890, which provides that Partners: (1) shall contribute equally to the capital in losses or gains, whether of capital or otherwise; (2) shall be entitled to 5 per cent. interest on any advances they make to the Partnership apart from capital, but not to interest on capital prior to the ascertainment of profits; (3) shall not be entitled to any salary for services rendered to the business.

Kinds of Partners. A Partnership business is termed a *Firm*, and the Partners *Co-Partners*. The title under which they carry on the business is called the *Firm Name*. The firm-name may be totally different from the names of any of the partners. A firm may own property, and be a party to a contract, and may sue or be sued in the firm-name. When a Partner takes an active share in the management of the business, he is then known as an *Active Partner*, in contradistinction to a *Sleeping* or *Dormant* Partner, who though equally responsible with the Active Partners for the debts of the Partnership, takes no active part in the conduct of the business. A person who lends his name and credit to a firm in such a way as to make those trading with the firm believe that he is a partner in it even though he may have not entered into any formal agreement with the firm, or possess any interest in it, yet makes himself responsible for the debts contracted by the firm towards

such persons who have been thus misled. Such a person is known as an *Ostensible* or *Nominal Partner*.

Liability of Partners. A partner's liability is *joint* with all the other partners not *several* (in Scotland it is joint and several liability), *i.e.* in case of default the whole firm must be sued, not one member alone, but a single member of a firm may be compelled to satisfy out of his own pocket a judgment obtained against a firm, for if the firm is not able to pay its debts each partner is liable for those debts to his last penny. In England and Ireland, but not in Scotland, a partner's private creditors are always entitled to payment out of his private property before creditors of the firm.

Every Partner an Agent. Every partner is an agent of the firm and of the other partners, and where a partner acts within the ordinary course of the firm's business he effectively binds the firm and the other partners, even though he acted without authority. But where he acts outside the ordinary business of the firm and without authority he does not bind the firm. A partner in a Boot and Shoe business who ordered sugar without authority would not bind the firm but if he accepted a Bill of Exchange for a supply of leather he would.

Goodwill. This is a matter which frequently arises in connection with Partnerships. Goodwill is the benefit accrued to a business through its reputation and connections, or as Lord Eldon put it: "it is the probability that the old customers will resort to the old place." Goodwill cannot be so readily bought and sold as more tangible assets, but it nevertheless possesses real value, and when private businesses are turned into Limited Liability Companies, a large part of the purchase-money is usually accounted for by this item alone. Similarly, when a new Partner is taken into an existing Partnership he frequently, in addition to the capital he has agreed to contribute, is called upon to pay a sum of money, termed a *Premium*, in consideration of the goodwill attaching to the Partnership. This Premium is divided amongst the existing Partners of the business, in the ratio in which they share profits, and is not to be confused with the capital of the new partner, from which it is quite distinct. The old partners may take their respective shares of the premium right out of the business or allow it to remain in the business and thus increase their capital holdings.

Duration of Partnerships. A Partnership for an indeterminate period is said to be a *Partnership at will*, and can be dissolved at

any time, but it is more usual to arrange a fixed time for the duration of the Partnership. A Partnership at will may be dissolved by notice, and one for a fixed term by efflux of time. A Partnership may also be dissolved for other reasons, *e.g.* the death or Bankruptcy of a partner, or by order of the Court on the grounds of the insanity or permanent incapacity of, or wilful and persistent breach of the Partnership agreement or misconduct by a partner.

Dissolution of Partnership. In the event of a dissolution the Partnership Act, 1890, provides that on realisation the assets shall be applied as follows: Firstly, in discharge of debts due to outside creditors; secondly, in repayment of loans from partners; thirdly, in repayment of partners' capital. The surplus, if any, is divided in the same ratio as the profits are divided. If the assets should prove insufficient to satisfy the claims arising under the first, second, or third heads, the loss consequent upon realisation must be made up in order that the claims of the Partners as between themselves may be adjusted. In the event of bankruptcy only the claim of outside creditors rank as assets against the firm.

Limited Partnerships. This is a new kind of partnership brought into being by the Limited Partnership Act, 1907. By this Act a person may now, under certain conditions, become a limited liability partner in a firm. The conditions are: (1) He must contribute capital to the partnership; (2) he must not take any part in the management of the business, nor must he act as agent for the firm; (3) the partnership must be registered; (4) there must be at least one other partner responsible for all the debts of the firm. In such partnerships the active members of the partners are called "general" partners. The limited partner is entitled to a share of the profits, but is not liable for the debts of the firm beyond the amount of capital he has put into the business. In a limited partnership, the partnership is not dissolved by the death, bankruptcy or lunacy of a limited partner.

Bankruptcy

The obligations under a contract may come to an end in several ways, *e.g.*, (1) by mutual consent, (2) by fulfilment, (3) by breach of the contract, (4) by lapse of time, (5) by the impossibility of fulfilment, (6) by bankruptcy. The particular mode of termination we are now to consider is the last, viz. Bankruptcy.

Bankruptcy Act, 1883, and the Amending Act, 1890. The law relating to Bankruptcy is contained in these two Acts. A trader's liabilities to his creditors arise from the contracts he has entered into with them, and, when he is unable to fulfil his contracts, he is said to be *Insolvent.* Formerly, an insolvent debtor was put into prison. Indeed debtors too poor to invoke the aid of the Bankruptcy Laws are still imprisoned in England for debt—an anomaly and hardship however which will probably soon be remedied. The object of the Bankruptcy Laws is to protect the debtor, and to give him the chance of a fresh start in life, while at the same time ensuring to the creditors a *pro rata* division of the debtor's property.

Petition in Bankruptcy. The first step in Bankruptcy is to present to the Court a petition making the debtor a bankrupt. The debtor may present the petition on his own behalf, or it may be presented by a creditor, or any combination of creditors whose claim or claims amount to not less than £50. A primary condition of the petition, in both cases, must be that the debtor has committed what is known as an Act of Bankruptcy within three months of presenting the petition.

What is an Act of Bankruptcy? A debtor commits an act of bankruptcy:

(1) If he assign or convey his property to a trustee for the general benefit of his creditors. Such an assignment or "conveyance" is termed a *Deed of Arrangement* and must be registered in the High Court, but it can be upset by any creditor, who refuses to be a party to it, any time within three months of its being registered, unless those who are parties to it buy him out. When it can be managed a Deed of Arrangement is preferable to bankruptcy proceedings. It saves the debtor much unpleasant publicity and, what is more important, usually ensures to the creditors a larger *pro rata* dividend than they would obtain if the heavy expenses incidental to Bankruptcy proceedings were incurred.

(2) If he make a conveyance, gift, or transfer of any part of his property in order to defeat the claims of his creditors.

(3) If he fraudulently prefer one creditor to the detriment of another by conveying any part of his property to such

creditor. The payment must be voluntary and made with the definite intention of preferring the creditor. If it be made within three months of the petition the payment is void and the trustee can recover the money from the creditor. A payment made by a debtor under compulsion, or in the course of trade, is not fraudulent preference.

(4) If he depart out of England, or being out remain out, or in any other way absent or conceal himself in order to defeat his creditors.

(5) If he, having had judgment given against him in the High Court, does not satisfy the judgment and his goods are seized or sold in execution of the judgment.

(6) If he file a declaration in the Court that he is unable to pay his debts.

(7) When a creditor has obtained judgment against a debtor, and the debtor has not satisfied the judgment or compounded with the creditor, the creditor may serve him with a notice requiring him to satisfy the judgment. And if the debtor does not do so within seven days from the receipt of such notice, or satisfy the Court that he has a counter-claim exceeding the amount of the judgment, he commits an act of bankruptcy. Such a notice is termed a *Bankruptcy Notice.*

To be subject to the Bankruptcy Law a person must be domiciled in England, or must for a year prior to the presentation of the petition have resided or had a place of business in England.

Receiving Order (R/O) and Official Receiver (O/R). A copy of the creditor's petition must be served upon the debtor, and a time stated when it will come before the Court. If the Court is satisfied that the conditions of Bankruptcy exist it makes a *Receiving Order*, otherwise it refuses the petition. A debtor is not made a bankrupt by the Receiving Order, but under it all his property passes to an official of the Board of Trade, called the *Official Receiver*, pending a decision as to how it can best be applied for the benefit of the creditors. The O/R is a temporary trustee for the creditors. He investigates the debtor's affairs, manages the property and business of the debtor, and if he finds that the debtor has committed a criminal act arranges for his prosecution. He advertises the Receiving Order, the date of the *First Meeting of Creditors,* and the

date for the *Debtor's Public Examination.* The debtor must make out and submit to the Official Receiver within seven days of the Receiving Order a sworn statement of his assets and liabilities and such other matters as the Official Receiver may require.

Debtor's Public Examination. Soon after the debtor has submitted the sworn statement of his affairs to the O/R the Public Examination of the debtor is arranged for. At this examination he is interrogated on the causes of his bankruptcy, his conduct, assets, &c., and must answer all relevant questions on pain of imprisonment.

Meeting of Creditors. The O/R presides at the First Meeting of Creditors, and communicates any proposal the debtor may have made for settling his affairs. No person may vote at this meeting unless he has previously submitted a sworn proof of his debt. The debtor must attend the First Meeting, and furnish whatever information is required. Second and Third Meetings may be arranged for, if necessary.

Composition. After the making of a Receiving Order the debtor is, in the ordinary course, declared a bankrupt. But he frequently suggests a *Composition*, *i.e.* he offers to pay all his creditors whose debts have been proved so much in the £ for the amount of their claim. If he does so the proposed composition must be submitted to the Court, which considers it from the point of view of its benefit to the creditors. The O/R reports to the Court upon the debtor's conduct. If the debtor has been guilty of a criminal act with regard to the bankruptcy the Court will not consent to the composition. If he has been guilty of an act or acts not criminal (*see* p. 344) the Court will not consent to a composition of less than 7*s.* 6*d.* in the £. Otherwise the proposed composition will be considered on its merits. If the Court consents to it, and the terms are carried out, the debtor is released from all further claims on the part of his creditors, but if the terms are not carried out the Court can annul the composition and declare the debtor a bankrupt.

Adjudicating Bankruptcy. If the debtor does not suggest a composition which the Court can accept he is adjudicated a bankrupt with or without the resolution of the creditors. All his property passes into the hands of a *Trustee* for the benefit of and division among his creditors. The creditors may appoint any person a Trustee—usually he is a Chartered Accountant—and they may appoint from among themselves a Committee of not more than five

members to control and assist the Trustee in his duty of realising the estate. The appointment of a Trustee is sometimes left to this Committee. If no Trustee be appointed by the creditors the Board of Trade appoints one. Pending this appointment of a Trustee, the O/R acts in that capacity. Any Trustee other than the O/R must give security for the proper carrying out of his duties.

Duty of Trustee in Bankruptcy. The duty of a Trustee is to realise the estate, *i.e.* convert it into money. If the business is worth it he keeps it going and realises the goodwill. He may bring actions against the bankrupt's debtors, and compel them to pay up; and he may also defend actions against the bankrupt, if the claims of the persons bringing the actions are capable of being resisted. The Trustee must keep proper books revealing his dealings with the property, and the proceedings at meetings of creditors, and must account to the Board of Trade for all invoices received and paid. A Trustee is remunerated in a way determined by the creditors, usually by a percentage on the amount realised. If the creditors are not satisfied with his conduct of the bankrupt's affairs they may remove him. The Board of Trade may also remove him for misconduct or failure to perform his duties satisfactorily. When the estate is realised the Trustee pays all the creditors *pro rata*, according to their respective claims. The realisation of a bankrupt's estate takes time, and usually the division is not made all at once but in a series of instalments, First, Second, Third and Final *pro rata* dividends often being paid.

Preferred Creditors. The following creditors must be paid in full before the other creditors receive anything;

1. Clerk or Servant for services rendered during four months before the Receiving Order, and not exceeding £50.
2. Labourer or workman for services rendered during two months before the Receiving Order, and not exceeding £25.

All Rates and Taxes are preferential debts, and a Landlord may distrain for Rent either before or after the commencement of the bankruptcy, but if he distrain afterwards he can only do so for six months' rent accrued before the adjudication, though he may prove for the balance like any other creditor.

Secured Creditors. The following are *Secured Creditors:* Any creditor who has a Mortgage, Bill of Sale, Charge, or Lien on the property of the debtor. The bankruptcy does not affect the rights

of such persons against the property, but, of course it may or may not when realised fully satisfy the claims of the person holding the Mortgage, Bill of Sale, &c. If it does not altogether satisfy the claim, the creditor in that event turns out to be only a *partially secured creditor*, and must prove for the balance, like any other creditor.

Discharge of Bankrupt. A bankrupt may, at any time, apply to the Court to be discharged. The Court will, after consideration of a report upon the bankrupt's conduct of affairs, either grant or refuse the discharge. The Court will refuse to discharge him if he has committed a criminal act. If he has committed an offence not amounting to a criminal act, the Court will either: (1) Refuse a discharge; (2) suspend the discharge for not less than two years; (3) suspend it till the debtor has paid 10s. in the £1; (4) suspend it on condition that the debtor consents to judgment against him for the whole or part of the unpaid claims, such unpaid claims to be met out of his future earnings as the Court directs.

A discharge in bankruptcy frees the debtor from all his debts or obligations, except liability under payments in three kinds of actions-at-law, which as they lie remote from business matters need not be specified here.

Criminal Offences. The criminal offences against the Bankruptcy Laws are: (1) Concealment by the debtor of any part of his property to the value of £10 or more; (2) concealment of any debt due to him; (3) material omission in the statement of affairs he submits to the Official Receiver; (4) destruction or falsification of his books of account; (5) obtaining property on credit by fraud, within four months before the petition, and for which he has not paid; (6) obtaining credit for goods to the value of £20 or more after his adjudication as a bankrupt without disclosing the fact of his bankruptcy to the person from whom he obtained it.

Offences Not Criminal. (1) Failure to pay 10s. in the £1, unless it is shown that the bankrupt was not justly to blame; (2) omission to keep proper books of account; (3) continuing to trade when he was insolvent; (4) contracting debts without reasonable prospect of being able to pay for them; (5) culpable neglect of business, extravagant living, and rash trading; (6) failure to account for the disappearance of assets.

The Board of Trade

The Board of Trade which, during the Parliamentary Session of 1909, was raised to the rank of a Department of a Secretary of State, is divided into (1) the Commercial and Statistical Department; (2) the Marine Department; (3) the Railway Department; (4) the Harbour Department; (5) the Bankruptcy Department; (6) the Companies' Department; (7) the Labour Department; (8) the Finance and General Department.

(1) *The Commercial and Statistical Department* advises upon Commercial Treaties and allied subjects, prepares the annual statistical abstracts of trade for the United Kingdom, the Colonies, and for Foreign Countries, and edits the Board of Trade Journal. There are several branches of this Department (*a*) the Commercial Intelligence Branch opened in 1899, in the City of London, to provide the public with information on Tariff and trade matters generally; (*b*) the Census of Production Office, established in 1906, for the purpose of compiling statistics relative to the volume of our home trade production. (*c*) The Exhibitions Branch for watching the interests of British traders at the various international exhibitions. (5) The Patent Office, which considers applications for and grants Patents; registers Designs, and Trade Marks—each of these three matters being dealt with by a separate branch. The staff of the Patent Office alone numbers over 650.

(2) *The Marine Department.* This Department administers the Merchant Shipping Act of 1894, dealing with the registry of ships, the liability of shipowners, the measurement of ships, load-line, examination of Masters, Mates and Engineers, the suppression of crimping, transmission of seamen's wages, inspection of crews, crew spaces, ship's provisions, and life-saving appliances carried by ships, the establishment of Local Marine Boards, the survey of emigrant and passenger ships, Rule of the Road at Sea regulations, the preparation of the International Code of Signals Book, the detaining of unseaworthy ships, and, in connection with the Admiralty, also deals with the Royal Naval Reserve. This Department publishes the Annual Wreck Register. The General Register and Record Office of Shipping and Seamen is a branch of the Marine Department.

(3) *The Railway Department* inspects railways before they are

opened for public traffic, inquires into railway accidents, hours of work of railway servants, increase of railway rates, confirms Light Railway Provisional Orders prepared by the Light Railway Commissioners, submits Tramway Provisional orders to Parliament for confirmation, administers the Notice of Accidents Act 1894, controls the formation of Railway Conciliation Boards, and prepares special returns of Railways, Tramways and Canals. Under this Department are the Standards Department, for the test and examination of weights and measures, the London Traffic Branch and the Light Railway Commissioners.

(4) *The Harbour Department* has charge of the foreshores belonging to the Crown, partly controls the funds of the three Lighthouse Authorities, and deals with questions relating to the London Docks, wreck, salvage, pilotage and navigation; reports upon private Bills affecting Tidal Waters, gives notice of Quarantine Regulations, deals with applications for Provisional Orders under the General Pier, Harbour and Pilotage Acts, and, since, 1896 with Provisional Orders for Electric Lighting, Gas and Water undertakings. It controls matters connected with the Metropolitan Gas Companies and prepares the annual returns of those Companies for Parliament.

(5) *The Bankruptcy Department* administers the Bankruptcy Act of 1883. It consists of a central staff in London under the Inspector-General with Official Receivers located in different parts of the country. Attached to this Department is the Companies' Winding-up Department, which deals with the winding-up of insolvent Companies.

(6) *The Companies Department.* This Department controls the formation of Limited Liability Companies, and presents to Parliament the returns of Life Assurance Companies. All papers sent to the Registrar-General of Joint Stock Companies which require the imprimatur of the Board of Trade, particularly applications for registration of Companies without the word "Limited," are forwarded to this Department.

(7) *The Labour Department.* This Department, now separated from the Commercial Department, collects and publishes statistics relative to Wages and Hours of Labour. It also publishes the *Labour Gazette*, and Annual Reports on Trade Unions, Strikes and Lock-Outs, and labour subjects generally. It administers the Conciliation Act of 1896, for the prevention and settlement of labour

disputes. Recently (March 1910) Labour Exchanges have been established in all the large towns in conjunction with this Department with the object of disseminating information as to where employment is to be had, and assisting workmen to find employment.

(8) *The Finance and General Department* is now controlled by an Accountant-General. It prepares the Board of Trade estimates for submission to Parliament, and keeps the accounts of the whole establishment, also managing the General Lighthouse Fund, the Merchant Seamen's Fund relative to pensions to seamen, the wages and effects of deceased seamen, and the relief of distressed seamen.

(9) *Solicitor's Department.* Attached to the Board of Trade is a Solicitor's Department to which all legal questions arising from matters dealt with by the Board are submitted.

Test Paper XXV

1. Define Partnership. What are the limits to a Partnership ?
2. Explain the main characteristics of a Partnership and mention the different kinds of Partners.
3. If a Partnership is arranged in any other way than by a deed of Partnership, and disagreement arises, how are the differences usually adjusted ?
4. What is Goodwill ? What is meant by a Partnership at Will ?
5. What is the position of a Partner relative to his Co-partners and what is his position relative to the Creditors of the firm ?
6. How are the Partnership Assets applied in the event of a dissolution of Partnership ?
7. What is a Limited Partnership and wherein does it differ from an ordinary Partnership ?
8. What is an Act of Bankruptcy ? Explain the duties of an O/R and the nature and effect of a R/O.
9. Explain what is meant by a Composition in connection with a bankrupt's estate, and discuss the duties of a Trustee in Bankruptcy.
10. Define Preferred Creditors ; Secured Creditors ; Partially Secured Creditors ; Fraudulent Preference.
11. Mention the criminal offences against the Bankruptcy Laws and also the offences "not criminal."
12. Mention the different departments comprised under the heading Board of Trade and state briefly the functions of each.
13. Mention the objects of the Bankruptcy Laws.
14. What do you understand by a L/C ?
15. If I have accepted the following bills drawn on me by you, £200, due May 10 ; £300, due August 15 ; £400, due October 10, and desire to settle all the bills by one payment when ought I to pay you the money in order that neither you nor I lose anything in respect of interest ? Explain the conditions necessary before the rule for finding the due date can be applied.

16. Explain the following "Sans Frais"; "With Exchange and Bankers Charges added"; "Sans Recours."

17. Explain what is meant by a "Documentary Bill." What documents would accompany such a bill? What purposes do this sort of bill serve? What do you understand by "retiring a bill under rebate"?

18. Explain the procedure you would follow if a foreign bill received by you from one of your customers was dishonoured.

19. What do you understand by "Noting" a bill and by the "Protest" of a bill?

20. A Walks clerk from the Union of London and Smith's Bank hands you a bill drawn on you at 90 d/s for £110 10s. 6d. by one of your creditors in Philadelphia, U.S.A., what would you do? If it were a st. draft for £3, what then would you do?

21. Explain the procedure followed by Banks when advancing money against bills held for collection.

22. Suppose Aird and Co. of Melbourne owed you £900, and you owed various sums to creditors in Sydney, Adelaide and Brisbane amounting to £800, how would you pay your creditors and collect the amount due from your debtor?

23. From the following particulars draw a B/E in a set. Drawers, Jones and Co.; Payees—National Bank of New Zealand, Ltd.; Drawees, The Alliance Importing and Trading Co., Christchurch, N.Z.; Tenor, 90 d/s; amount (or content) £879 10s. 6d. Show the covering letter you would send to the N.B. of N.Z. Ld. when remitting the draft for collection. Show the advice you would send to the drawees. Show the letter you would send to the bank asking for an advance against the bill. Add some wording to the bill that will ensure the drawees paying the banker's charges for collecting the bill and also relieve you of any possible loss through exchange.

24. There are three ways in which the time when a bill shall become payable may be fixed. State what they are and give examples of each.

25. Mention the different forms of qualified acceptance. If one of your debtors returned a bill of yours with a qualified acceptance, what would you do?

26. A B/E is stolen and the payee's signature is forged by the thief who persuades me to take the bill for value. What is my position?

27. What are the rules governing presentation of B's/E for payment?

28. Suppose you are acting as agent for Andrew Wilson and Co. and you accept a bill on their account in the following form: "Arthur Donnithorne, Agent," Andrew Wilson and Co. default. What is your position?

29. Show how any one acting as an agent should accept B's/E.

30. Under what circumstances does the acceptance of a bill by a customer not act as authority to his banker to pay the bill?

31. J. Askam and Co., London, owe Woolley and Co., Leeds, £250. The amount, plus 5% p.a. and stamp duty, is to be met by a 3 m/d draft. Draw the draft, payable to the "order of ourselves" and state on it the due date. Show also the acceptance made payable at the North Eastern Bank. The draft is endorsed to Messrs. G. Street and Co., who hold it till maturity. Show the endorsement. (*West Riding C.C.* 1902.)

32. Draw a B/E for £60 at 3 m/d from March 31; drawers, King and Sons; drawee, A Marchant. Show the Acceptance and Endorsement, and give the due date. (*Mid. Count. Union*, 1907).

CHAPTER XVII

MONEY AND CURRENCY

Barter or Truck. The origin and necessity of trade lie in man's material needs, and in the fact that no set of men possess all the commodities necessary to satisfy those needs. In primitive times trade was carried on by *Barter* or *Truck*, *i.e.* by directly interchanging one commodity for another. But as the needs of man, and, in consequence, the number of commodities multiplied, the inconvenience and sometimes the impossibility of the direct bartering of commodities became more and more oppressive. It was not always easy for one man, possessing a superfluity of a particular commodity A, and requiring another commodity B, to meet with another man possessing a superfluity of B willing to exchange it for A. And it was still less easy when the commodity to be bartered was indivisible like a horse, a waggon or a garment. This inconvenience and frequent impossibility gradually led to the introduction of a *medium of exchange*, and the interchange of commodities instead of being a direct became an indirect process. Shells, iron, copper and other articles have in the past served as this medium of exchange. Amongst the early Romans cattle filled the purpose. The Latin name for cattle is *Pecunia* = *a herd*, from which we get our word *pecuniary* = *monetary*. It is, however, important to remember that, notwithstanding the introduction of a medium of exchange, present-day commerce is still in essence the original act of barter, only that instead of the one operation of primitive times it is now a dual operation. One kind of commodity is first of all exchanged for its equivalent in the medium of exchange, and then the medium is exchanged for its equivalent in some other kind of commodity. But with the introduction of a medium of exchange the two-fold act of modern commerce is easier of operation than was the single act of barter.

Characteristics of a Good Medium of Exchange. It must be one: (*a*) that everybody within a particular trading area will take in exchange; (*b*) easily divisible without loss; (*c*) durable. Metals such as copper, silver, gold answer these requirements. Hence they have become universally recognised as media of exchange. But they are not perfectly adapted for the purpose. Copper is too bulky except for small exchanges; silver is too bulky for large, and even gold is too cumbrous for very large interchanges. Again silver, and still more so gold, could not be utilised for very small exchanges. The particles would be microscopic and easily lost. Further these metals are soft and wear with use. They must be mixed or alloyed with harder metals to make them more durable. This, before the introduction of standard coins, and in the early history of governments, opened up the possibility of fraud, and the necessity for assaying and weighing the metals at each interchange of goods. Still nothing is likely to displace the use of these metals now firmly established throughout the world.

Coin. From what has been said in the preceding paragraph the student will have gathered that the earliest metallic media of exchange were measured by weight. To obviate the necessity of assaying and weighing the metals at each interchange of goods coins were brought into use. Coins may be defined as pieces of metal stamped to certify their weight and fineness. Coined metal is termed *money*. Money is not, as the student has seen, synonymous with coin, but as now understood, when we speak of money we mean coined metal.

Medium of Exchange = Measure of Value. When once a medium of exchange has been agreed upon it has generally served another purpose, viz., as a *measure of value*. We now estimate the value of different commodities not in terms of each other, as under the system of barter, but in terms of money. This estimate of the value of a particular commodity in money is termed its *Price*. Thus we say the price of a horse is, *e.g.*, £35, of coal, 23/- per ton, of potatoes, 2*d.* for 4 lbs. &c. Though modern trade is fundamentally the original act of barter, the exchanging of goods for money and money for goods is not termed barter but *sale*. The exchanger of goods for money is the *Seller*, the exchanger of money for goods, the *Buyer*.

Money, Currency, Legal Tender. As now understood in all civilized countries money is gold, silver or any exchangeable coined

metal, which, in a particular country, serves both as a medium of exchange and a measure of value. Money is also termed *Metallic Currency*, because, as the medium of exchange, it freely passes from hand to hand amongst the peoples adopting it. There are, however, other kinds of currency, *e.g. Paper Currency*. As mentioned above, gold is inconveniently heavy to be carried in large quantities. Hence governments and banks have issued engraved pieces of elaborately and subtly watermarked paper to represent different amounts of money, and to do duty instead of actual money. But paper currency is not money. It is currency but not real money, because it is no real measure of value. Where a particular government selects a particular medium of exchange, and enacts that it shall be accepted by all in discharge of debts the medium (or media) so selected is termed *Legal Tender*. Thus in Great Britain and Ireland the sovereign is legal tender to any amount; so are silver coins up to the value of £2, and bronze coins up to the value of 1/-. Bank of England notes are legal tender in England and Wales for any amount of £5 and upwards, except by the Bank itself, which cannot compel any one to take its own notes. Thus in Great Britain and Ireland a sovereign at the same time is (1) money; (2) currency; (3) legal tender; so also are silver and bronze within the limits specified. A Bank of England note is in England and Wales and for debts of £5 and upwards, (1) currency; (2) legal tender, but not money. While a note issued by a Scotch, Irish, or country bank is currency within the issuing bank's sphere of influence, but not money and not legal tender.

Appreciation and Depreciation of Money. When we speak of the appreciation or depreciation of money we mean that its value expressed in terms of commodities has risen or fallen from a given standard. We cannot speak of the "price of money," for by "price" we mean "price in money," and money cannot be measured in terms of itself. But money can be and is measured in other things, *e.g.* articles of general consumption, and it is therefore quite correct to speak of the price of gold in silver or in wheat &c. By means of *Index Numbers* where the prices of gold in silver, wheat, or commodities of general consumption for a given year are stated at 100, and the prices of gold in the same commodities for previous or subsequent years are equated to the year selected as a standard, variations in the purchasing power, or price of gold in terms of commodities can be determined and

compared. In this way it is found that money is subject both to appreciation and depreciation, that is to say, that its value in terms of commodities, or its purchasing power, is greater during some periods than at others. (The reader is directed to "A Plain Guide to Investment and Finance," by T. E. Young, B.A., F.I.A., and to Prof. A. L. Bowley's "Elementary Manual of Statistics" for an exposition of the way index numbers are determined and used.)

Standard of Value. To obtain the best results from the use of coins it is necessary to adopt some one coin that shall contain a particular weight and fineness of metal, and serve as a standard of comparison for all the other coins completing the metallic currency. This is called the *Unit of Value* or *the Standard*. In Great Britain and Ireland it is the sovereign. The law enacts that $934\frac{1}{2}$ sovereigns shall be coined from every 20 lbs. weight troy of standard gold, *i.e.* of the fineness of 22 carats of fine gold and 2 carats of alloy in the lb. weight troy ($\frac{22}{24} = \frac{11}{12}$ fine). Therefore every 1 oz. troy of standard gold is coined into $3\frac{4}{8}\frac{2}{0}\frac{9}{0}$ sovereigns or £3 17*s.* 10½*d.* Thus £3 17*s.* 10½*d.* and 1 oz. troy of standard gold are equivalent things. The value of every other British coin is determined by reference to this standard. A shilling is the twentieth part of a sovereign, a penny the two-hundred-and-fortieth part, and so on. It is, however, impossible in the technical process of coining, to ensure that every sovereign shall contain the exact number of grains of the exact degree of fineness prescribed by law, viz., 123,274 grains $\frac{11}{12}$ fine. Consequently an infinitesimal variation either above or below this quantity and fineness is permitted. This variation, of no practical consequence, is termed *Remedy* or *Tolerance*.

Standard and Token Coins. A standard coin is one whose denominational value is the actual value of its metallic ingredients. A newly minted sovereign and half-sovereign are standard coins. The first is the standard, the second is one-half the standard. But there are other supplementary or subsidiary coins, made of silver or bronze, whose denominational value exceeds their metallic value. Such coins owe their value in exchange, not to intrinsic worth, but to the law of the land. These silver and bronze coins are called *Token coins*, and serve for small payments which could not conveniently be made in gold. The coining of silver and bronze is a state monopoly, and the profit attaching to its manufacture—

the actual value of the silver in a 1/- is not half its token value—passes to the Government. This profit is loosely termed *Seignorage* (strictly speaking, Seignorage is the additional value imparted to a coin over and above the value of its metallic ingredients by the cost of the labour necessary to its manufacture). It is also called *Mintage* (a word of wider import than Seignorage) which includes *Brassage* (the actual cost of minting the coin) and Seignorage (the profit after allowing for the cost). To ensure the due circulation of standard and token coins, so that the use of token coins shall not supplant the use of standard coins, it is necessary to limit the circulation of token coins. This is done by the law of legal tender explained above, which limits the use of silver in exchanges to sums not exceeding £2, and of bronze to sums not exceeding 1/-. Why the limitation is necessary is explained under the head of *Gresham's Law*, mentioned on p. 354.

The Royal Mint. Gold and Silver Bullion (*Bullion* is uncoined gold or silver, *i.e.* gold or silver in bars or other states) is coined at the Royal Mint, Tower Hill, London. Any person may take gold bullion to the Mint and have it assayed, coined and returned to him in sovereigns, at the rate of £3 17*s.* 10½*d.* per standard oz. troy free of all charge for coining or wastage. But no one may take standard silver bullion* to the mint and expect it to be returned to him in coined silver. The coining of silver is, as explained above, a highly profitable state monopoly, and silver bullion is, like tin or lead, worth no more than what it will fetch in the open market. As a matter of fact, however, no one does take gold bullion to the Mint to be coined. All the bullion used at the Mint goes through the Bank of England, who, by law, must purchase it at the rate of £3 17*s.* 9*d.* per standard oz. troy. Sellers prefer to forego the difference of 1½*d.* per oz. or a little under ½*d.* per £, and accept the Bank's price of £3 17*s.* 9*d.* rather than suffer the loss of interest arising from the delay in passing it through the Mint. The British Government is open to receive bullion and to coin gold sovereigns and half-sovereigns free of charge for all the world. The gold currency of Australia was formerly coined at the Royal Mint from bullion sent for the purpose, but now Australia has a mint

* A pound weight troy of standard silver bullion consists of 11 oz. 2 dwt. of fine silver and 18 dwt. of alloy, and is coined into 66*s.*, containing 5760 grains of silver 37/40 fine, or 5328 grs. fine, *i.e.*, 1 oz. of coined silver = 5*s.* 6*d.* The market price of an ounce of fine silver bullion is roughly 2*s.* 6*d.*

of her own. Great Britain still coins gold for the South African Commonwealth.

Gresham's Law. It was stated above that, in order that token coins should not supplant the use of standard coins, it is necessary to limit the circulation of token coins. If a country originally have a standard gold currency sufficient for all purposes of exchange, and a reasonable reserve, and then the Government enact that token coins or paper currency shall also be legal tender, and proceed to issue them, there will then be a superfluity of currency, *i.e.* the standard coins plus the tokens will now exist to do the work already amply provided for by the standard coins alone. In such a case the token coins or paper currency, *i.e.*, the inferior currency, will drive out of circulation the standard coins or superior currency to the extent to which tokens (or paper) have been issued, and if the issue of the latter is unrestricted will eventually drive the standard coins out of circulation altogether.

The superabundance of the media of exchange will cause a rise in general prices till the point is reached when the standard coins and the token or paper currency combined, possess no greater value in exchange than was formerly possessed by the standard coins alone. But the standard gold coins will always be worth their value as bullion, and the bullion value is greater than their exchange value. Hence they will be withdrawn from circulation, and exported in discharge of international indebtedness, or hoarded, or melted and utilised in more profitable directions, *e.g.* for articles of personal adornment. This is an explanation of Gresham's Law, which may briefly be stated by saying that inferior currency will drive out superior, but superior currency cannot supplant inferior. Similarly, where standard and token coins are subjected to degradation by *abrasion*, *sweating*, *maltreatment* by drilling holes in them or clipping the edges, the degraded coins will drive out the newly minted coins, for the latter are worth more as metal than the degraded coins, but not more as legal tender. Hence persons will melt the newly minted coins, sell them as metal and the cost of minting will be entirely lost. It is, therefore, highly important that Governments should safeguard the integrity of the coinage. In Great Britain all worn coins are withdrawn from circulation as soon as they reach the Bank of England, the loss being borne by the Government. And an educated public opinion supports the exertions of the Government, for very light standard

coins or degraded token coins would not be accepted in exchange by traders. Still it is estimated that the British coinage is debased to a considerable extent.

Paper Currency. Paper currency is of two kinds: (1) Convertible, (2) Inconvertible. Only convertible paper currency is used in this country, and it is issued not by Government but by the banks. The student will see when he reads chap. XVIII, that all notes issued by the Bank of England are repayable in gold on demand, and that their convertibility into gold is guaranteed by Government security, and by the stock of gold coin and bullion held in the Bank's vaults. The note issues of other British banks are restricted to the average amount of notes these banks had in circulation in 1844, though the Scotch and Irish banks may issue more, provided they hold gold against their repayment. Bank paper cannot be issued in excess of public requirements, because if more were issued than was required the surplus would come back to the issuing banks for payment. Bank paper, like cheques and Bills of Exchange and Promissory Notes, is elastic. The quantity in circulation increases or diminishes with the increasing or diminishing number of exchanges of goods it represents. A Bank note, Cheque, Bill of Exchange or Promissory Note is discharged and cancelled upon payment. This is the real function and characteristic of a sound system of credit instruments, and the extent to which they are used is one criterion of a country's progress in civilisation. But mark the difference between this convertible currency and the inconvertible currency in force in other countries, particularly where the government is in the hands of men lacking in character and prudence. Notes are issued—mere paper tokens costing nothing but their manufacture—and made legal tender and inconvertible, *i.e.* not repayable in gold. Against the first issue gold is held in reserve by the government. So long as the issue is in denominations convenient to the people, and not more than sufficient for the purposes of exchange, and so long as the gold is not squandered in dubious enterprises but held in reserve, and the imports into the country can be paid for by the exports, the inconvertible paper serves a useful purpose. But suppose a failure of the harvest or a slackened demand by foreign nations for raw material exported from that country. The difference between the value of the exports and the imports must be paid for in gold (inconvertible paper is only currency in the country issuing it, and is

not acceptable to the rest of the world). The debtors must then purchase gold in the open market, where it is sold at a profit like all other merchandise, consequently it always stands at a premium. But this is insignificant compared with the evil effects of an *over issue* of inconvertible currency. Some new national need springs up, real or imaginary. It may be the necessity for suppressing civil strife, or conducting a foreign war, or for additional currency requirements due to a period of expanding trade, or nothing more than the grandiose schemes of spendthrift politicians. Notes are issued in larger and larger quantities, and a period of reckless expenditure ensues. The reserves of gold are drawn upon (as recently in Brazil) till what is left is totally inadequate to support the enormous quantity of paper in existence. Gresham's Law comes into play; gold is hoarded or sent out of the country in payment of international obligations, and the price of gold in terms of paper, *i.e.* the premium on gold, rises to extraordinary heights. It has been 200 per cent. in Argentina. That is to say, for every 100 dollars in gold, one had to give 300 dollars in paper, or, to put it in another way, paper dollars stood at a discount of 66⅔ per cent. Or again, the purchasing power of a dollar in paper was only one-third that of the purchasing power of a dollar in gold! But inconvertible paper, unlike convertible paper, is permanent currency. Hence the only way to restore the financial integrity of the country is to call in the redundant issues and cancel them, a procedure that can only be effected (especially as in the case of Brazil where the gold reserves had been wantonly depleted) by years of painful economy. The difference in the purchasing power of gold over paper is termed *Agio*, or *Premium*.

Bi-metallism. Where a particular country has adoped a single *Unit of Value*, *e.g.* Great Britain, which has adopted gold, or India, whose unit of value is silver,* the monetary system is said to be *mono-metallic*. But other countries those, *e.g.* belonging to the Latin Monetary Union—Belgium, France, Italy, Switzerland and Greece—and also the United States, have a double-standard,

* The Indian Rupee is always (by an Act of 1899) exchanged between Great Britain and India at the fixed rate of 15Rs.=£1. This artificial parity is maintained by the Government of India, who have built up in Great Britain, out of the profits on silver coinage, a gold reserve consisting of investments in sterling Government stocks, which on March 31, 1908, amounted to over £13,186,000, while £4,000,000 was held in India in rupees and £1,131,000 in cash in England.

i.e. both gold and silver, and permit debts to be discharged in either metal, at a fixed ratio, at the option of the debtor. This double-standard system is termed *Bi-metallism*. Really, however, the double standard in these countries is a single gold standard. For in none can coined silver be obtained weight for weight for standard silver bullion, though in all standard gold can be had weight for weight for standard gold bullion. Bi-metallism, strictly understood, means the free unlimited coining of both gold and silver, silver circulating, side by side with gold, in a definite ratio fixed by law—15 or $15\frac{1}{2}$ to 1, or whatever may be enacted. The difficulty of the arrangement is to fix the legal ratio, so that it shall always agree with the ratio disclosed by the market price of the metals. For if, assuming the ratio is accurately fixed when the currency law is passed, and a change occurs in the market prices of gold and silver bullion—*e.g.* say some new silver mine were discovered affording a greatly augmented supply of silver procurable at very small cost, or supposing the use of silver in the arts and for decorative purposes were to go out of fashion—then the legal ratio would no longer be the market ratio. Silver would be over valued as compared with gold. Gold would be withdrawn from circulation, and, if the causes of the decline in the value of silver persisted, the currency would gravitate towards a mono-metallic silver basis. But a case of some validity can theoretically be made out for Bi-metallism. Only in these days, owing to the strength of the interests arrayed against Bi-metallism, the question has largely been pushed into the background, and does not seem destined to be revived, except in the highly remote contingency of vast and cheaply procurable supplies of gold being discovered, or of the utility value of gold suffering some permanent decline in the estimation of the peoples of the world.

A few other terms in connection with money may be explained.

Moneys of Account are those denominations of currency utilised in different countries for purposes of book-keeping. In Great Britain they are *Pounds*, *Shillings*, and *Pence* represented by the symbols £ *s.* *d.* = respectively *Libræ*, *Solidi*, *Denarii* from *Libra*, *Solidus*, *Denarius*, the Latin names respectively for a Pound, a Shilling, and a Penny. In France the denominations used are Francs (fcs.) and Centimes (c.); in Germany, Marks (mks.) and Pfennige (pf.); in the United States, Dollars ($) and Cents (c.), (*see* p. 408).

Sterling is the name given to undegraded British Standard and Token Coins.

Peculiarities of Money. (1) *Cost.* The costs of obtaining the raw material—gold and silver bullion—vary enormously. In the early days of Australian gold mining (it is still possible in some parts of the world), a man without a penny in his pocket might walk along the dry bed of some vanished stream and, if he were lucky, pick up gold in sufficient quantities to make him a rich man. In South Africa, on the other hand, gold mining is carried on thousands of feet below the surface, the auriferous rock is blasted, and the gold extracted from refractory ores at so vast an expense, that it could not be carried on except by rich companies, and even then the profits of these companies are but moderate. In the United States silver has been mined at a loss, and the mines are shut down for some part of the year to restrict the supply.

(2) *Double Value.* Gold and silver have a currency value and a utility value. Gold and silver are practically imperishable, and the stocks on hand, in the shape of gold plate and articles of personal adornment, are so vast that present costs of production exert but little influence on its market price. This keeps the market value steady, and is a safeguard against a dearth of money, for gold plate can easily be converted into gold coin.

(3) *Supersession.* As the student has already seen, the use of money as currency can be entirely superseded by the arbitrary action of governments, or its exchange value reduced by debasing the standard.

(4) *Efficiency.* The quicker money circulates the less there is required of it. If, *e.g.*, money were hoarded, more currency would have to be brought into use. But so long as it quickly passes from the public to the shopkeeper, from the shopkeeper to the bank, and from the bank to the employer of labour, surprisingly little of it is required. It is computed that the whole stock of gold coin in the country does not exceed £150,000,000—thus the rapidity with which money circulates is the measure of its efficiency.

(5) *Currency* v. *Utility.* The cheapening in the value of gold as a purchasing medium is no gain to the public, because more of it must be carried about to effect the exchanges that were formerly done with less. But the cheapening of gold in its manufactured

utility form is a public gain, just as the cheapening of any other commodity is a public gain.

From these considerations it will be seen that money is dissimilar from all other commodities.

Test Paper XXVI

1. Explain the following: "Medium of Exchange"; "Measure of Value."
2. What is meant by the Appreciation and the Depreciation of Money and how are these tendencies measured?
3. Define Money, Currency, and Legal Tender, using as illustrations a Sovereign, a Bank of England Note, and a £1 Scotch Note.
4. Explain the difference between standard and token coins, and show why it is necessary to restrict the circulation of the latter and how the restriction is effected.
5. What is the exact weight and fineness of the British Standard Coin?
6. In every lb. troy of standard silver bullion how much pure silver is there?
7. Briefly enunciate Gresham's Law.
8. Distinguish between Convertible and Inconvertible Currency and show the effect of an over issue of the latter.
9. Say what you know about the Royal Mint and define Seignorage.
10. What are "Moneys of Account"? Give the meaning of "sterling."
11. On what grounds would you say that money was a commodity dissimilar from all other commodities?
12. Mention the alterations in an "acceptance" that require confirmation.
13. Show in what ways a cheque may be endorsed, and how to turn a general into a special endorsement.
14. You receive a B/E dated September 22, payable three months after date. When should it be presented for payment.
15. What do you understand by gold being bought and sold at a premium?
16. Jones and Co. of Liverpool has exported goods to Bulow and Co., Berlin, to the value of £1000. In what ways can they get a settlement of their account? Assume they draw on Bulow and Co. and draft the necessary document.
17. Draw a B/E on Venice for £360 19*s.* 2*d.* at the rate of exchange as per first London endorsement and state the effect of so doing.
18. Explain the respective liabilities of the parties to a Bill of Exchange, a cheque, and a Promissory Note.
19. When may a Bill be accepted "Supra Protest"?
20. When would a Bill dated February 28 drawn payable three months after date become due?
21. What is an Accommodation Bill? What liability does a man incur by accepting such?
22. You have received a Foreign Bill and presented it to the drawee for acceptance, which is refused. What would you do with it?
22. Who may cross a cheque? Illustrate the several kinds of crossings and state the effect of adding "Not Negotiable."

CHAPTER XVIII

BANKING; TRADING BANKS; SAVINGS BANKS; BANK OF ENGLAND; BANKERS' CLEARING SYSTEM; WHAT IS THE MONEY MARKET?

Banking

History. The word *Bank* is generally stated to have been derived from the Italian *Banco*, a bench, from the circumstance that the money-changers of Lombardy carried on their business seated at benches in the open market-place. The word is, however, also connected with the Italian *Monte*, from the Latin *Mons* = a mound or bank, and with an old Teutonic word *Banke*, the equivalent of the Italian *Monte*. This is the sense in which Blackstone used the word when he wrote: "At Florence, in 1344, Government owed £60,000, and being unable to pay it, formed the principal into an aggregate sum [*i.e.* capital stock] called metaphorically, a Mound or Bank."

The business of banking is of very ancient origin. It was—to go back no further—carried on by the Romans, who were familiar with the use of cheques and bills of exchange. The Latin name for bills of exchange was *litteræ cambitoriæ*, from which we get our word *cambist*, signifying a dealer or speculator in bills of exchange. The development of banking has proceeded side by side with the development of trade. Hence we find that the Lombard cities, followed by Barcelona, Hamburg, and Amsterdam, had developed systems of banking long before London.

The Goldsmiths. The business of banking in London was originally in the hands of the Goldsmiths, who at first acted purely as money-changers, and, later, as receivers of the money of others. They paid interest on the money deposited with them, and loaned it at a higher rate.

The Bank of England. The establishment of the Bank of England in 1694, by public subscription, was the foundation of modern British banking. A Scotsman, William Paterson, proposed the plan, and the capital £1,200,000 was subscribed within ten days. The capital was lent at 8 per cent. interest to the Government of William III., in order to prosecute the war with France, and in exchange for the loan the bank was incorporated by Royal Charter, and secured the power of issuing notes to the extent of the loan on the security of the Government. The Charter has undergone many modifications and the capital been increased from time to time. In 1708 a clause was inserted in the Charter conferring upon the bank a monopoly of Joint Stock Banking in England and Wales. This imposed severe restrictions upon the growing trade of the country, and conduced to the establishment of private banks which issued their own notes. Many of these private banks failed. In 1826 the monopoly was curtailed to the district within sixty-five miles of St. Paul's, and entirely abolished in 1833 (though the bank was allowed to retain the monopoly of issuing notes within this area). The following year, 1834, witnessed the establishment of the London and Westminster Bank, soon followed by many others.

Decline of the Goldsmiths. The goldsmiths continued their business till long after the foundation of the Bank of England, but the greater facilities offered to traders by the bank, and the lower rate of interest which, owing to its lucrative connection with the Government, it was enabled to charge, more and more adversely affected them, and they gradually gave up banking business.

Irish and Scotch Banking. The Bank of Ireland was established by Royal Charter, dated May 15, 1783, on much the same lines as the Bank of England, and with similar drawbacks—the creation of private banks and their subsequent failure entailing loss and misery to the people. But these adverse effects did not attend the inauguration of the modern banking system in Scotland. For though the Charter of the Bank of Scotland, granted in 1695, prohibited the establishment of other joint stock banks in Scotland, the prohibition was removed when the Charter was renewed in 1716. In 1727 a Charter was granted to the Royal Bank of Scotland, and in 1746 to the British Linen Company, now purely a banking concern. Banking has thus had a free course in Scotland —chartered banks and joint stock banks working side by side—and

this partially explains the divergences of practice between Scotch and English banking, which for so long was hindered by State prohibitions. The Scotch banking system is admittedly the most successful in the world.

Kinds of Banks.—Banks are of two kinds: (1) Trading Banks, (2) Savings Banks, the former being divisible into two classes. (*a*) Private, (*b*) Joint Stock Banks. The object of trading banks is the extension of public credit; the object of savings banks, the encouragement of thrift. A Savings Bank is not conducted with a view to making profit, but the Partners or Directors of a Trading Bank endeavour to make as great a profit for themselves or the shareholders as may be consistent with the financial well-being of the Bank.

Trading Banks

Private Banks. A Private Bank is one conducted by two or more persons, not exceeding ten in number, associated in partnership, who contribute the capital, share in the profits and also in the losses, and who, under the Law of Partnership, are individually liable for the whole of the partnership debts. In a Private Bank all the partners, unless it is otherwise arranged, are entitled to and do share in the management of the bank.

Joint Stock Banks. A Joint Stock Bank is one whose capital is contributed by public subscription. Each contributor is allotted shares in the bank to the amount of the capital he has agreed to contribute, and though he may lose the whole of the capital he agrees to provide through the failure of the bank, he cannot, as the partners in a private bank are, be made liable for any amount beyond that sum. His liability is limited to the extent of his holding (except in the case of a Joint Stock Bank which issues its own notes, when the liability of the shareholders in respect of the notes issued is unlimited), whereas the liability of the partners in a private bank is unlimited. There is another kind of Joint Stock Bank, viz. one where the liability of the shareholders is unlimited, but only two or three of this kind exist, and the position of the shareholders in these banks is very much the same as the position of the partners in a private bank. The management of a Joint Stock Bank devolves upon a number of Directors appointed by the shareholders. A Joint Stock Bank must publish Balance Sheets (usually half-yearly), but a private bank is under no such obligation.

Banks of Issue. Where a bank has the right of issuing its own notes (a banknote is a promise to pay the sum expressed on the face of it to the bearer on demand) it is termed a *Bank of Issue*. This right of issuing notes is restricted by the Bank Act of 1844 to the banks at present possessing it, and, the Bank excepted, to an extent not greater than the average amount in circulation when the Bank Act was passed. The Scotch and Irish Banks may, however, extend their note issues beyond these limits provided they keep in their vaults coin or bullion equivalent to the average monthly circulation of the extra issue. In the event of the bankruptcy of any of these banks of issue the right lapses, and if the right is voluntarily abandoned it cannot be resumed. The object of this legislation was ultimately to confine the issue of notes to the Bank of England, but it is still far from being attained, for though many banks have surrendered the right of issue, 37 banks in Great Britain and Ireland still retain it.

Functions of a Trading Bank. The functions of a trading bank are fivefold. Some exercise all five functions, others confine their operations to one or more of them :

(1) To receive deposits of money from customers and either to (*a*) repay it on demand when the customer is said to have a *Current or Drawing Account*, or (*b*) to repay it after the expiry of notice, whatever may be the term agreed upon, when the customer is said to have a *Deposit Account*. Banks pay no interest on Current or Drawing Accounts (except some banks in the North of England and the Scottish banks, which allow interest on Current Accounts and charge a commission upon the total of the amounts withdrawn by cheque) but on Deposit Accounts they pay a variable rate of interest according (*a*) to the notice required for withdrawal and (*b*) the official rate charged by the Bank of England for discounting the best kind of Bills of Exchange.

(2) To buy debts expressed in the form of Bills of Exchange. When a bank buys a Bill of Exchange it immediately places to the credit of the customer's drawing account the difference between the amount of the Bill of Exchange and the price it agrees to pay for it. This difference is termed *Discount*, and in such transactions a bank is said to *discount the bill*.

(3) To lend money at interest upon securities deposited with the bank, in whose favour an equitable charge is given upon them by the customer (in the case of stock and share certificates they are actually transferred to the bank's nominees). Country Banks accommodate their customers in this way by an *overdraft*, *i.e.* they allow them to overdraw their current accounts to the extent agreed upon; but London bankers prefer that the current or drawing accounts shall be maintained in credit. They open a loan account to record such transactions and credit the amount of the loan to the current account. In transactions of this kind the bank has a general lien upon the securities and, in the event of default by the borrower, the bank may sell the securities and recover the amount of the loan together with interest and expenses. In Scotland money is also advanced upon what are termed "Cash Credits." A banker places to the credit of a customer an agreed sum on the personal security of two or more guarantors, against which the customer may draw. Interest is charged only upon the actual amount of the credit utilised. This system of Cash Credits has played an immense and most beneficent part in the commercial development of Scotland.

(4) To act as agent for customers for the collection of dividends, &c., the payment of Annuities, Subscriptions, Insurance Premiums, &c. In this capacity a bank is the trustee of its customer, receiving money to be applied for specific purposes, and is amenable to the law regulating the official conduct of Trustees.

(5) To act as warehouseman for customers and take charge, for safe custody, of plate, jewels, deeds, bonds, and other valuable property. In this capacity a bank has no lien upon such goods for money due to the bank by the owners in respect of loans or overdrafts.

I have said that the object of trading banks is the "extension of public credit," that their functions, amongst others, comprise the receipt of "deposits of money," buying "debts expressed in the form of Bills of Exchange," and lending "money at interest upon securities." I will explain in what way a bank "extends public credit," and what is meant by "deposits of money," "buying debts," and "lending money."

Commercial Credit. The transactions where a trader sells goods and is immediately paid for them in actual coin are insignificant compared with (*a*) those where he sells goods for payment at a future date, and receives, at the agreed time, a cheque; and (*b*) those where he sells goods for payment at a future date, and obtains from his debtor either a Bill of Exchange or a Promissory Note. It is computed that 97 per cent. of the "payments in" to Bankers are made in the form of these orders to pay (representing exchange of goods), which, though they are all legally payable in gold, are nevertheless neither paid in gold, nor meant to be paid in gold.

Banker's Adjustment of Claims. Every banker then receives almost the whole of his "payments in" not in currency, *i.e.* money or bank notes, but in these written "orders to pay." Now many of these orders will be given and received by traders who bank with the same bank. In such cases all the banker does is to debit the accounts of the givers of the orders, credit the accounts of the receivers, cancel the orders and return them to the givers, a mere series of book entries which in no way affect the banker's store of gold, or disturb the relation between his assets and his liabilities. By far the greater proportion of these orders will, however, be given and received by persons who bank with different banks. Here the settlement is almost as easy. For suppose two banks, A and B: A has orders on B's customers for £1000, B has orders upon A's for £800. A credits the accounts of the customers who send him the orders with the £1000, and debits other customers' accounts with the £800 presented by B. B credits his customers with the £800 and debits others with the £1000. B then pays A £200, and the whole series of transactions is settled by the mere payment of the difference. In practice, this is much easier than the illustration shows. For in London (and in many Provincial cities) bankers have established what is termed a *Clearing House*, where representatives of the different banks meet together and adjust their differences, not in gold but by a cheque on the Bank of England, where the banks keep accounts for the purpose. Thus in 1907 transactions to the enormous total of £12,730,000,000 were settled one against another without the transfer of a single sovereign. Now it is certain that, but for this system of "orders to pay," or instruments of credit, brought to full perfection of working by the Banks and the Clearing Houses,

exchanges to this extent could not be carried on. The total stock of coin in the country would not permit it, and even if there were a sufficiency of coin the expense attending its use would run into millions of pounds annually.

If the student will consult a Balance Sheet (B/S) of a great bank, *e.g.* the Balance Sheet of the Union of London and Smith's Bank, Ltd. for the half-year ending December 31, 1908, which I have before me as I write, he will see that while the total balance standing to customers' credit on Deposit and Current Accounts exceeds £35,000,000, the Cash in Hand, Cash at the Bank of England, and the "Money at Call and Short Notice," which form the three most liquid assets of the Bank do not reach £14,000,000, and of these the first does not quite reach £3,500,000. The major part of a bank's assets exist in the form of investments and loans and advances upon security, and these of course are only realisable by degrees and in times of general prosperity and unshaken credit. This disproportion between the liabilities to customers and the cash in hand is observable in all bank balance sheets (with the exception of the Bank of England where the cash reserve is roughly about 50 per cent. of the liabilities to depositors), and still further emphasises the small part which actual coin plays in modern commerce and banking.

The student has seen (*a*) that almost the whole of the "payments in" to Banks are instruments of credit, and (*b*) that these instruments of credit are settled one against another, not in gold, but by a further use of credit instruments. Similarly, when a banker buys a Bill of Exchange or grants a loan on security he does not hand actual coin to his customer, but he makes a book entry in his favour, *i.e.* he credits his customer's current account with the amount, and gives him the power to draw further cheques or accept further Bills of Exchange.

When a customer pays into a trading bank on current or deposit account he cedes to the bank all rights in the property paid in, and in exchange obtains the banker's undertaking to pay back on demand or at notice, not the identical property committed to him, but its equivalent in quantity and quality. The bank has the right to do whatever it pleases with the property of the customer, just in the same way that a buyer of goods on credit may do what he likes with the goods he buys. Practically the banker buys the credits entrusted to him by his customers, and sells them at a

higher rate to other customers. Thus, in general, the relationship between a banker and his customer is the relationship of debtor and creditor, and if the banker fails, the customer is entitled to no more than a *pro rata* dividend out of the banker's estate, just as an unpaid seller can expect no more than a *pro rata* dividend from a bankrupt buyer.

Enough has now been said to make clear to the student that modern commerce is a huge system of credit or trust, and that the banking system is equally a system of credit aiding and developing commercial credit. The seller of goods trusts that the cheque or bill he receives from his buyer will, if required, be paid in gold. He hands it and cedes all rights in it to his banker, trusting that the banker will not use it in risky ventures, but will, if required, repay the amount to him in gold. The banker, on his part, trusts that his customers will not demand their deposits to be repaid to them in legal tender to a much greater extent than experience has shown him to be the average demand for legal tender—a demand he provides for by the "cash in hand" he keeps in his strong rooms and tills. For should every customer simultaneously demand his deposits in legal tender the banker must necessarily close his doors, just as a life insurance office would become bankrupt if every insured life failed at the same moment. How the banks meet an abnormal demand for legal tender consequent upon a financial panic is disclosed in the section dealing with the Bank of England.

Savings Banks

Definition. A Savings Bank is a voluntary association. The property belongs to its members, and its management, as also of the bank itself, is committed by the members to the care of certain officers and trustees. Such a Savings Bank is termed a *Trustee Savings Bank*. There is another kind of Savings Bank, established and managed by the State, and known as the *Post Office Savings Bank*.

History and Purpose of Trustee Savings Banks. The first English bank of the kind was established in 1799 at Wendover, Bucks, by the Rev. J. Smith. It was followed by one founded at West Calder by the Rev. J. Mackay in 1807, and by that founded in 1810 by the Rev. H. Duncan at Ruthwell, Dumfriesshire. The plan of the last-mentioned bank worked so well that it became the

model for all subsequent Trustee Banks. The student will remark from the circumstances that the earliest savings banks were associated with the clergy, that their main object was to provide effective means by which the poor could be encouraged in habits of thrift, and by their own efforts raise themselves to a position of some independence. This encouragement was the more effective since the money could be deposited in the smallest sums, and accumulated at compound interest at a rate high enough to afford but a bare margin for management expenses. Practically speaking, the whole of the profits were reserved for the benefit of depositors, and in some cases further inducements were offered in the shape of bonus additions to the deposits, provided they reached a stated sum in a given time. Savings banks continued to develop, and in 1817 the first Savings Bank Act was passed.

Savings Bank Acts 1817. These two Acts authorised the foundation in England and Ireland of Trustee Savings Banks for the benefit of depositors, the trustees and managers of which were to deduct no more from the proceeds derived from the investments of the moneys deposited than was sufficient to provide the expenses of management, but they were not to derive any personal profit from the proceeds thereof. The system was extended to Scotland in 1819. These Acts were modified in 1818, 1828, and 1844. In 1863 the law was consolidated by an Act repealing all the former Acts, and providing for:

(1) The attendance of at least two trustees, managers or specially appointed paid officers on all occasions of public business.

(2) The comparison of the pass books of the depositors with the ledger upon every repayment, and also on their first production at the bank after each November 20.

(3) A half-yearly audit of the books by a public accountant, or one or more auditors appointed by the trustees, but not out of their own body.

(4) The keeping of a book, open to inspection by depositors, showing the balances due to each depositor made up each year to November 20.

(5) Meetings of Trustees at least half-yearly—the minutes and proceedings to be recorded in a book kept for the purpose.

(6) Trustees and managers to transmit weekly returns to the

Commissioners of National Debt, showing the amount of each week's business.

(7) Regulations as to interest payable to and by the Trustees for moneys invested.

Other Acts were passed in 1876 and 1880. The failure of the Cardiff Savings Bank led to the passing of the Trustee Savings Act, 1877, conferring powers on the Treasury with reference to Trustee Banks, and three sets of regulations were issued under it. In 1891 another Savings Bank Act was passed providing for the appointment of an inspection committee who were to ascertain if the trustees and managers of savings banks were complying with the law, and if not, to report the fact to the Commissioners of National Debt, who have the power to close the bank and transfer it to the Post Office.

Post Office Savings Bank. The P.O. Savings Bank was founded by Act of Parliament in 1861. The suggestion for a Government Savings Bank had been put forward by Mr. Whitbread in 1806, again in 1852 and 1858 by the Ven. Archdeacon Hamilton, who first recommended its foundation in connection with the P.O. In 1859 Mr. Sikes of the Huddersfield Banking Co. read a paper before the Social Science Congress at Bradford, and in 1860 Mr. Chetwynd of the P.O. drew up the plan embodied in the Act of 1861. The P.O. Savings Bank system has spread to other countries, to India, the Colonies, and to all important European States, Germany excepted.

Savings Banks Statistics. At the end of the year 1908 there were 11,018,251 accounts open in the P.O. Savings Bank, with a total credit to depositors of £160,648,214. The deposits during the year aggregated £44,770,782, and the average amount due to each depositor was £14 11*s.* 7*d.* The Trustee Savings Banks had 1,788,033 accounts open, with a total credit to depositors of £51,715,950. The deposits during the year aggregated £13,294,640, and the average amount due to each was £28 18*s.* 6*d.* It will be seen from the statistics that the growth of Trustee Banks has been greatly retarded by the P.O. Savings Bank, which is far and away the most popular of all the agencies for thrift.

Opening an Account with the P.O. Accounts may be opened at any P.O. in the United Kingdom by any person over seven years of age or in the names of persons under that age. In the latter case the money cannot be withdrawn till the person has reached

the age of seven, and only on his or her signature. When opening an account a person must state his full name, occupation, and residence, and sign a declaration to the effect that he takes no benefit from any other account in the P.O. Savings Bank, or in a Trustee Savings Bank. If the declaration be untrue all sums deposited are liable to forfeiture. Any sum may be deposited from 1/- upwards (excluding pence), not exceeding £50 in any one year and £200 in all. There are exceptions to this rule in the case of Registered Friendly Societies and others who may also have accounts with the P.O. Savings Bank. Each depositor is given a bank book, which should be carefully examined before leaving the office to ascertain that the entry is correct. Sums paid in under £5 are not acknowledged, but all sums of and exceeding £5 are acknowledged by the central office in London by post within four days of deposit. Should there be any discrepancy between the acknowledgment and the amount deposited, the controller of the savings bank should be immediately informed of the fact by letter. Interest is allowed on deposits at the rate of 2½ per cent. for each complete pound. The interest is calculated from the first day of the calendar month next following the day in which a pound has been deposited or completed, up to the last day of the calendar month preceding that in which a warrant for repayment is issued, and after each December 31 it is added to the principal so long as the account remains open. On the anniversary of the day on which a depositor made his first deposit he should forward his book to the Controller of the Savings Bank in order that it may be compared with the ledgers, its accuracy established, and the interest inserted.

Withdrawals. Sums not exceeding £1 may be withdrawn at any time, at any post office, on the depositor filling up a form of application, and signing the form by way of receipt. He must leave his book with the Postmaster to be forwarded to the central office. It will be returned in the course of a few days. For sums exceeding £1 the depositor must fill up a notice of withdrawal form obtainable at any P.O. and send it to the central office. He will then receive by post a warrant which he must present with his book to the Postmaster at the P.O. where payment is to be made. The Postmaster takes the depositor's receipt for the withdrawal on the warrant. If a depositor wishes to withdraw money on the same day as that on which he gives notice of withdrawal he may do so

up to a limit of £10 by paying the cost of the telegrams to and from the Controller, Savings Bank, London, or at a less cost for telegraphing he may withdraw sums up to £20 on the day after giving notice. The warrant in this case is addressed to the depositors at the paying office "to be called for," unless contrary instructions are given in the telegrams of withdrawal.

Investments, Annuities, Life Assurance. The Post Office in connection with the Savings Bank arranges for investments by depositors in $2\frac{1}{2}$ per cent. Consols, $2\frac{1}{2}$ per cent Annuities, $2\frac{3}{4}$ per cent. Annuities (1905), and Local Loans 3 per cent. stock. Any amount of stock can be purchased from 1/- upwards, but not exceeding £200 in any one year and £500 in all. Depositors may also purchase annuities (see p. 433) on their own lives or the lives of any person over five years of age, for any sum from £1 to £100 per annum. Annuities are payable in equal half-yearly instalments. A life assurance may be effected on the lives of persons between fourteen and sixty-five years of age for £5 or any larger amount not exceeding £100. The lives of children between the ages of eight and fourteen years may be assured for £5. Thus under the Post Office system a depositor may make provision for himself and others (all under the guarantee of Government) to a maximum as follows:

A deposit in the P.O. Savings Bank of	£200.
Invested Savings . . .	£500
Annuity	£100
Life Assurance	£100

Penny Banks. There are Trustee Savings Banks taking deposits as low as a penny. Hence their name. The P.O. Savings Bank also facilitates the saving of pennies by supplying forms to which penny stamps may be affixed. As soon as the form has twelve penny stamps affixed it is deposited in the post office and the depositor is credited with one shilling.

The Bank of England

The Bank of England is a Joint Stock Banking Institution, the first of its kind, founded in 1694.

Its Constitution. Originally it was no different from any of the many other Joint Stock Banks existing to-day, and conducted its business purely with a view to the conservation of its own position,

and the earning of dividends for its stock-holders. But the making of private gain has in the course of time become subordinated to the higher purpose of preserving the national credit, and on this account, as well as because of its vast capital (£14,553,000), the dividends paid to its shareholders are very much smaller than those paid by the majority of the other large Joint Stock Banks. From its inception the Bank has acted as Bankers to the Government, receiving the National Revenue (the proceeds from Customs, Excise, Income Tax, &c.) and discharging the National obligations (the payment of interest on the National Debt, payments in connection with the Army, Navy, Civil Service, &c.), and from this fact it is sometimes erroneously supposed that the Bank is a Department of the Government service.

The pre-eminence of the Bank, however, though undoubtedly to some extent accounted for by this connection, rests on the fact that the Bullion and Gold Coin held in its vaults form a very large part of the whole stock of gold in the country, and is the ultimate reserve, which in times of financial stress and danger stands between the nation and bankruptcy.

The Bank Act of 1844. The payment of negotiable instruments (Notes, Cheques, Bills of Exchange) rests upon gold, but during the commercial crises of 1796, 1825 and 1839, the Bank, with other Banks, became so seriously embarrassed (in 1796 payment in gold was stopped, and the Government of the day permitted the Bank to issue notes in place of gold), that on the expiration of its charter in 1844, the Government under Sir Robert Peel passed the Bank Act.

Prior to the passing of that Act no regulations were in force to compel the Banks issuing notes to conform their note issues to the stock of gold held, but by this Act:

(1) Their powers of issue were curtailed within strictly defined limits.

(2) No new banks having power to issue notes were to be established.

(3) Any bank suspending its note issue could not afterwards resume it.

The Bank of England was to divide its business into two separate and distinct departments—the Issue Department and the Banking Department, and to publish weekly a *Bank Return*, or statement of liabilities and assets for each department. The Issue Department was to take over the liability for all Bank of England notes then in

circulation, against which the debt due by the Government £11,015,100, and interest-bearing securities to the extent of £2,984,900, in all £14,000,000, were to rank as Assets. Up to £11,015,100, therefore, the note issue is a Government issue. It was also provided by the Bank Act that, in the event of any bank possessing the right of issuing notes, and allowing that right to lapse (either voluntarily or through bankruptcy), the Bank ot England could further add to its note issue against securities to the extent of two-thirds of the lapsed issue. Many banks have allowed their right of issue to lapse, and the Bank of England has increased its note issue against securities by £4,450,000. Thus the authorised issue of notes (August 1909) against Government and other interest-bearing securities is £18,450,000. This is called the *Fiduciary Issue.* A further most important provision of the Bank Act is that against all notes issued in excess of the amount guaranteed by Government, £11,015,100, and the interest-bearing securities, £2,984,900 (since increased as stated by £4,450,000 to £7,434,900), standard gold to an equal amount must be deposited in the Bank, and held against the due payment of the notes.

Let us now examine one of these Bank Returns.

BANK RETURN

Wednesday, July 28, 1909

ISSUE DEPARTMENT

Notes issued	56,176,040	Government Debt	11,015,100
		Other Securities	7,434,900
		Gold Coin and Bullion	37,726,040
	£56,176,040		£56,176,040

BANKING DEPARTMENT

Proprietors' Capital	14,553,000	Government Securities	15,365,672
Rest	3,396,331	Other Securities	29,019,076
Public Deposits	8,524,857	Notes	26,327,760
Other Deposits	45,447,306	Gold and Silver Coin	1,529,629
Seven Day and other Bills	23,643		
	£72,242,137		£72,242,137

Issue Department. The statement above is self-explanatory. Notes have been issued to the extent of £56,176,040 and their convertibility into cash is guaranteed, as to £37,726,040 by the stock of Gold coin and Bullion in the Bank's vaults, as to £11,015,100 by the debt due from the Government, who annually pay interest on it, and as to £7,434,900 by other interest-bearing securities the nature of which, though not specified, is doubtless of the finest possible character.

Banking Department. On the Dr. side we have:

"*Proprietors' Capital*, £14,553,000" which it may be remarked is the largest capital of any bank in the world.

"*The Rest*, £3,396,331" which represents the undivided profits made by the Bank. This "Rest" is in the nature of a Shareholders' Reserve Fund, and must not be confounded with the Reserve hereafter mentioned, although in the highly remote event of any disaster overtaking the Bank it would undoubtedly be applied to creditors' relief. The "Rest" is never allowed to fall below £3,000,000, it being the practice of the directors to limit the dividends paid in order to keep the "Rest" at or above that sum.

"*Public Deposits*, £8,524,857." These consist of National Exchequer balances, Savings' Banks' Deposits, Deposits by the Commissioners of The National Debt, and sums held for the payment of dividends on Government and other Stocks administered by the Bank.

"*Other Securities*, £45,744,306." These represent the combined balances of customers' accounts, and the balances kept by the various banks of the country at the Bank of England, both of which are comparable to the current accounts kept by traders with other banking houses, for the Bank allows no interest on them. All the London Clearing Bankers, and many country banks, keep balances with the Bank of England, these balances forming a cash reserve on which they can draw in case of need.

"*Seven Day and Other Bills*, £23,643." This item represents Bank Post Bills issued, free of charge, by one branch of the Bank upon another branch to persons desirous of remitting money to a distance, in exchange for cash—the Bank's remuneration being the interest on the money from the date of issuing the bill to the date of payment. There are no Days of Grace on Bank Post Bills.

On the Cr. side we have:

"*Government Securities*, £15,365,672." These comprise Consol

Certificates, Treasury Bills, Exchequer Bonds, &c., bearing interest guaranteed by Government.

"*Other Securities*, £29,019,076." These represent the Bank's investments in Indian, Colonial, and Corporation Stocks and Railway Debentures, its stock of discounted Bills of Exchange, and the loans made against securities to Bill Brokers, Stock Brokers, &c.

"*Notes*, £26,327,760." This item forms part of the "Notes issued" £56,176,040, which appears in the Issue Dept. side of the Return, and as the total note issue is guaranteed by gold and securities it may be taken as equivalent to cash. This stock of notes is sometimes termed *Notes in Reserve*, as opposed to the notes in active circulation, *i.e.* in the hands of the public, and used for the payment of debts. The amount of the active issue is the difference between the total note issue and the Reserve held by the Banking Department, and in this particular return amounts to £29,848,280.

"*Gold and Silver Coin*, £1,529,629." This represents the till money kept by the Bank.

The Bank of England Reserve is not specificially mentioned in the Return, but its precise amount can be easily computed. The Liability of the Bank in respect of "Public Deposits," "Other Deposits," and Bills, is £54,292,806, against which it holds a stock of notes (equivalent to cash), and Gold and Silver Coin amounting to £27,857,389. Thus the Bank's reserve, on July 28, 1909, stood at about 51⅜ per cent. of its Liabilities.

The Immense Significance of the Bank of England's Reserve. The maintenance of the Reserve at a level (viz. at about 50 per cent. of the Liabilities) which experience has shown to be safe and conducive to confidence, is the prime concern of the Directors of the Bank. Not alone that the Bank may be in a position to meet the demands of its depositors whose balances are all repayable in cash on demand, but also that it may be in a position to avert disaster from outside influences. For though the Bank does not theoretically acknowledge any duty beyond that due to its own shareholders, it nevertheless tacitly recognises the wider responsibility thrust upon it by the other banks of the country, and in moments of danger acts in a manner befitting the guardian of our national credit. To the mercantile public the fluctuations of the Reserve are no less important, for every holder of a Cheque or Bill of Exchange or Promissory Note, and every creditor of every bank

has the right (according to the law of Legal Tender) if the Cheque, Bill of Exchange, Promissory Note or Bank Credit exceed £2, to payment in gold, and at a time of general failure of credit large numbers of people would insist upon payment in gold. Now, should the general failure of credit be coincident with any great reduction of the Reserve it is certain that the gold would not be forthcoming.

Further, a strong Reserve means a low Bank Rate, a low Bank Rate a low Market Rate for money, and with the low Market Rate money may be more easily borrowed, enterprise is stimulated, and the general tendency is towards an expansion of the trade of the country.

The Bank of England Reserve the only Reserve. It has already been stated that the ordinary banks of the country keep no adequate cash reserves. They possess reserves in the shape of investments, discounted Bills of Exchange, Loans on Securities, &c., but no *Cash* reserves. The money in possession of the banks, though in the aggregate a very large sum, is merely till money, sufficient to satisfy normal daily demands, but totally inadequate to satisfy public requirements in a time of shaken credit, when people would be satisfied with nothing less than actual gold. What cash reserves they do keep are placed with the Bank of England. The banks thus rank with opulent merchants and wealthy corporations as Creditors of the Bank.

The National Stock of Gold Coin. As pointed out in the last chapter, the stock of coin in the country is variously estimated at from £120,000,000 to £150,000,000, and, as Mr. Bagehot has remarked, there is not at all ordinary moments sufficient money in Lombard Street to discount or buy all the bills in Lombard Street, and the bills in Lombard Street represent only a portion of the indebtedness of traders one to another. It will easily be seen, therefore, that any abnormal demand for gold on the part of traders, such as would arise when credit had given way to discredit, and cheques and bills of exchange were no longer acceptable, must necessarily fall upon the Bank of England, whose reserve of gold coin and bullion is practically the only reserve in the country. Why, it may be asked, should not the banks realise their vast holdings of securities at such times, and turn them into cash? But who would buy securities in times of commercial distrust, and again, where would the money be found for their rapid realisation?

It will be useful, therefore, briefly to note the nature of the influences against which the Bank of England must guard, and the defensive methods employed.

Drains. A depletion of the Bank of England's Reserve is called a *Drain.* Drains may be either of (1) Home, or (2) Foreign origin.

Home or Domestic Drains. Some domestic drains are of a regular periodic character, and as they arise from causes well known to all financiers provision can be and is easily made for them. Examples of these periodic drains are:

(1) The withdrawal of gold from the Bank in the autumn to pay for the purchase of the harvests, and to replace the money spent by the public during the summer holidays. Payments during holidays are usually made by notes—cheques are not usually accepted unless the persons giving the cheques are known to be in good credit—and these pass through many hands before they are finally presented at the Bank and gold obtained for them.

(2) The half-yearly payments in May and November made in Scotland for rent, wages of farm servants, and for interest on mortgages and loans, &c.

Other domestic drains are not regularly periodic, and require more careful watching.

(3) The demands made upon the Bank's Reserve during a period of brisk trade. More capital is required at such a time for wages and raw material, and consequently larger and more frequent advances are made by banks to merchants and manufacturers and to bill-brokers, who in turn accommodate the trading community by buying the larger number of bills created by the brisker trade.

(4) The failure of harvests result in a diminution of the Bank of England's Reserve. The money spent in anticipation of a good return from the sale of crops is partially or wholly lost, according to the severity of the failure, and money, instead of accumulating in the banks, has to be spent in larger imports of foreign food-stuffs.

(5) The failure of banks and the collapse of credit following upon excessive expansion of trade. Trade moves in cycles. A period of genuine expansion of trade, when the increase reflects actual exchanges of goods to meet

public needs, progresses by slow stages into a fictitious and unhealthy speculation in anticipation of supposed future requirements. New enterprises are begun on borrowed capital, and more capital is poured into existing enterprises to procure an increased output. Dealings in stocks and shares grow apace, and the speculative element in these dealings becomes more and more pronounced. Prices of industrial securities rise by leaps and bounds. But soon it is discovered that the market for the goods produced is falling, and later that there is no market for them at all. The stocks of goods, far in excess of any real demand, are useless; but interest must be paid on the borrowed capital. Securities are thrown upon the market wholesale. No one will buy. Trust in one another vanishes, and paper documents are no longer accepted. Everybody demands gold. The bankers call in their loans to the brokers. The brokers, in turn, apply to the Bank of England; and thus arises a steady drain on the Reserve. Then follows a period of utter stagnation of trade, which only revives and assumes healthy proportions when the accumulated stocks have been absorbed and confidence has been restored to the trading community.

Foreign Drains. A foreign drain may arise from:

(1) War or rumours of war. The political relations between two States have become strained, and money is required to make the necessary preparations for war, or for its successful prosecution. London is the world's money market, and recourse will be had, either directly or indirectly, to London to obtain the necessary supplies.

(2) From the need of money by foreign countries to restore confidence after a period of excessive overtrading speculation, or to relieve distress arising from famine or other great physical catastrophes.

(3) By (*a*) foreign countries raising loans in London, a large proportion of which is taken in gold or (*b*) by accumulating gold as the indispensable backing to a loan raised locally, or (*c*) for the purpose of strengthening the local currency. One of the easiest ways for a foreign country to secure gold is to buy up bills of exchange on London, giving its own notes in payment, remit the bills to London,

discount them and exchange the notes received for gold at the Bank of England. Or a foreign bank may create bills on its London agents, and, if the House be substantial, the discount of these bills can be arranged with a broker or a discount house, and the discounted proceeds exchanged at the Bank of England for gold. Such Bills are called *Finance Bills.* It is not, therefore, always to be assumed that exports of British bullion are made in order to discharge British indebtedness to foreign countries for goods imported.

One of the most important causes of foreign drains arises from the foreign exchanges, but as this is a somewhat complicated subject I shall not occupy the reader's attention at this point beyond stating that a foreign drain may occur because:

(4) A higher rate of discount rules in a foreign country than in Great Britain. If the discount rate for bills of exchange in London is 3 per cent. and the discount rate in Paris is 6 per cent. it means that gold may be borrowed at 3 per cent. in London and lent at 6 per cent. in Paris, so that any one borrowing in London could make 3 per cent., less cost of transmitting gold, by lending the borrowed money in Paris. Consequently, persons in London create short bills on their correspondents in Paris, discount the bills here at 3 per cent., remit the money to Paris, where it earns by loans and discount 6 per cent. Similarly, persons in Paris holding short bills on British firms immediately send them to London to be discounted at 3 per cent., and the proceeds passing to Paris are there employed to earn interest at 6 per cent.

Methods of Preserving the Bank of England's Reserve.

(1) *Purchase of Coin and Bullion.* The Bank may purchase bullion, *i.e.*, bars of uncoined gold, or gold coin of other countries in the open market, at the standard rate for gold purchases, viz., £3 17*s.* 9*d.* per. oz. of the standard fineness of 22 parts pure gold in 24, or $\frac{11}{12}$ fine, and give notes in exchange. With the increased stock of gold more notes can be issued and held by the Banking Department. But the notes given in exchange for gold

are liable, of course, to be at any time returned to the Issue Department for gold.

(2) *Increasing the Bank Rate.* An increase by the Bank of England in its rate for advances has the effect, if the increase make the rate superior to that existing in foreign countries, of inducing an influx of gold from abroad. Gold will always flow to the centre where it can be most profitably employed. An increase in the *official minimum rate* of the Bank is not a matter that can lightly be determined upon, for it always has the effect to a greater or less extent of hampering and dislocating trade. Consequently the increase proceeds gradually, and stops at the point at which the object, viz., the preservation of the Bank's reserve at a safe level, is attained. In the early stages of a progressive rise of the Bank rate the other banks of the country may not always act in accordance with the Bank's lead, and therefore the effect of the rise in the rate is not immediately apparent, for brokers and other borrowers will obtain supplies of gold at the lower rate offered by the joint stock banks. But, as soon as it becomes apparent that adverse influences are at work imperilling the Bank's reserve, all the other banks fall into line with the Bank of England and stiffen their rates. A higher interest is allowed by bankers for money placed on deposit; consequently customers are induced to increase their deposits. Bankers do not lend their own, but their customers' money, hence if they have to pay more for it they must charge more. Thus brokers who are large borrowers must in turn charge more for discounting bills. The general tendency, therefore, is for money to remain with the bankers, and the Bank's reserve to grow. Should the Bank find that the increase in the rate does not sufficiently compel a general upward movement of the market rate the Bank resorts to the expedient of itself borrowing money in the open market on the securities it possesses. In this way the supply of floating loanable capital is reduced, and, to the extent of the reduction, brought under the Bank's own control; but buying Consols for the account and selling for cash, the usual illustration given of the Bank's procedure in this con-

nection, has not, it appears, been done for some years. Increased competition for the smaller supply of capital soon sends up the rate, so that finally one rate, and only one rate, prevails. The reader has seen that when the discount rate abroad is higher than the discount rate (which is founded on Bank rate) at home the tendency is for gold to pass out of Great Britain for employment abroad. The converse is also true, though, as will be explained later, to a much more limited extent, and an increased Bank rate (involving an increased discount rate) induces shipments of gold to Great Britain. But relief in the strain on the Bank's reserve comes in another direction also. Foreign bankers, when the discount rate in Great Britain is high, buy up British bills of exchange for investment, because they can then be bought cheaply, *i.e.* at a low rate of exchange considered from the foreign point of view, and this buying for investment reduces the supply of London bills. Competition for the fewer bills sends up the rate of exchange, and with the rate of exchange rising in favour of this country the danger of an outflow of gold from this country grows less and less till finally it disappears altogether. But this matter will be more fully treated of in the next chapter.

Suspending the Bank Act. As already explained, the payment of the notes issued by the Bank of England is only partially secured by gold. What if a crisis arose of so acute a character that the rise in the Bank rate failed to arrest the outflow of gold, and the whole reserve were swept away? The Bank's securities would be unrealisable. Would it become bankrupt? On three occasions since the passing of the Bank Act, viz., in 1847, 1857 and 1866, such a crisis has occurred, and the Bank's defence was the same on all three occasions. By special permission of Government, who passed Bills indemnifying the Bank, the Bank Act was suspended, and notes were issued although the coffers were depleted. On each occasion public anxiety was allayed. It should be remembered that an institution may become bankrupt and yet be solvent, the bankruptcy pointing, not to reckless conduct and wholesale losses, but to the unwisdom of locking up too great a proportion of capital in securities not readily realisable in moments of urgency. The Directors of the Bank now guard the Reserve more jealously and with greater vigilance than ever, and,

as already stated, a cash reserve amounting to 50 per cent. of the liabilities seems to afford the Bank, and therefore the whole trading community, ample ground of security.

The Bankers' Clearing System

The London Bankers' Clearing House is situated in Post Office Court, Lombard Street. Most of the largest towns also possess Bankers' Clearing Houses. The origin of the system is not certainly known. Most probably it originated in unauthorised proceedings by the clerks deputed to settle the claims between the respective banks. But however it arose, it has developed with the progress of the banking system and has become so integral a part of it that it is difficult to see how it could possibly be dispensed with. Not all the London banks are members of the Clearing House, but those who are—eighteen in all—have desks at the establishment in Post Office Court.

There are three clearings: (1) for Town cheques, (2) for Metropolitan cheques (*i.e.* cheques payable in the Metropolis, but at banks outside the Town clearing), (3) for Cheques on Provincial banks. These are termed respectively, Town, Metropolitan, and Country Clearing.

We will take the case of the Town Clearing, and limit the illustration to six clearing banks, which we will designate by the letters A, B, C, D, E and F. A has cheques to a certain value paid in by its customers drawn on B, C, D, E and F; B similarly has cheques paid in by its customers drawn on A, C, D, E and F; C also has cheques on A, B, D, E and F, and so on. If each bank paid a cheque for the total amount presented against it by each of the other banks, and received a cheque from each of the others in respect of its claims against them, then the settlements would involve the passing of sixty cheques, or if differences only were settled, thirty cheques. What happens, however, is as follows:

At Bank A specially ruled sheets are kept, the columns being headed with the names of the clearing bankers, B, C, D, E, and F. As the cheques come into the bank they are sorted and entered upon these sheets in the appropriate columns. The entering is done by calculating machines, the clerks typing the amounts of the cheques, &c., on to the sheets, and the columns of figures being automatically cast by the machine as typing proceeds. These sheets are termed

the *out-books*, and the clerks who compile them, *out-clearers*. The cheques, &c. are then tabbed together—cheques, &c., payable by B in one bundle, those payable by C in another, and so on—taken to the Clearing House by clerks, called *runners*, and deposited on the different desks—B's bundle on B's desk, C's bundle on C's desk and so on. At each of the clearing desks clerks, termed *in-clearers*, are seated. These in-clearers (servants of the respective banks) separately enter the amounts of the cheques, &c., in their bundles, on sheets similar to those used by the out-clearers. These sheets are termed, *in-books*, and it will be apparent that the out-books of A, so far as they relate to B, will be identical with the in-books of B so far as they relate to A. As fast as the bundles of cheques, &c., or *charges*, as they are called, are entered and tabbed by the out-clearers of A, they are deposited by A's runners on the desks of the in-clearers, who enter them in their in-books. At a few minutes past four o'clock the doors are shut, and the out-clearer of A brings along his out-books. The in-clearer of A then has side by side the out-books, showing A's charges against B, C, D, E, and F, and his own in-books, showing the charges of B, C, D, E, and F, against A. After the in-clearers have agreed the totals of these summaries, *i.e.* after A's charges against B, C, D, E, and F, as shown by his out-books, have been agreed with the totals recorded in the columns given up to A in the in-books of B, C, D, E, and F, and B, C, D, E, and F's charges, as shown by their out-books, have been agreed with the totals in the respective columns of A's in-books, A strikes a balance between each of the totals in his in-books and the respective totals in his out-books. If A's out-total against B, is greater than the total of B against A, as shown by A's in-books, A has to receive on balance, and B to pay, and *vice versâ*. These balances are entered upon a list headed by the name of A's bank, ruled with money columns on the left and right, headed respectively Drs. and Crs., and having the names of the clearing bankers printed down the centre. If A has to receive on balance from B he enters the balance on the Dr. side against B's name; if he has to pay, he enters the balance against B's name on the Cr. side. When all the balances are entered, the two sides of the list are balanced, and the balance, either a Dr. or a Cr. balance, is the amount which finally A owes or is owed on the day's clearing in respect of all the banks.

These individual balances are transferred to a *General Clearing List*,

either to the Dr. or Cr. side as the case may be, and of course this general clearing list will exactly balance. If A had to receive a balance on general clearing he would make out on a *green* form a transfer addressed to the Bank of England, directing them to transfer the amount from the Account of the Clearing House to his, A's account; and get the transfer signed by the Superintendent of the Clearing House. If A had to pay on general balance he would make out an order on a *white* form, directing the Bank of England to transfer the amount from his balance at the bank to the account of the Clearing House, and also get it signed by the Superintendent. Each clearing bank has an account at the Bank of England (*see* p. 376), and keeps a book called the *Goldsmith's Book* in which all such transfers and all payments into and withdrawals from the Bank are recorded.

While this compilation of totals and agreeing of balances is being carried on, the runners have taken the bundles of charges, after they have been entered in the in-books, to their respective banks, and handed them over to the clerks whose duty it is to *pay the clearing*. The cheques, &c. are carefully scrutinised, and any that cannot be paid are marked with the reason for refusal, and taken back to the in-clearers of the bank refusing them, who enter them on the Dr. side of their lists. They are then distributed amongst the desks, and entered by the in-clerks of the presenting bankers on the Cr. side of their lists. The total of the general balance is the total after these *returns* have been taken into consideration. In the town clearing all payments are made and cheques returned on the same day as they enter for clearing.

The Metropolitan Clearing is effected in precisely the same way. The cheques dealt with are cheques drawn upon suburban branches of the clearing banks, and upon other banks outside the Town clearing. In order that cheques in the Metropolitan clearing should be paid or returned the same day they must be presented for clearing before 10 A.M.

The Country Clearing is also similar. Every Country bank has either its London agent or head office in London, and all cheques are presented and cleared through these London Agents or Head Offices. Local country cheques are not however remitted to the London agent, but cleared through the local Clearing House, and settled by transfers on the local branch of the Bank of England. Branches of the Bank are established at Birmingham, Bristol, Hull,

Leeds, Liverpool, Manchester, Newcastle, Plymouth and Portsmouth. Cheques, &c., passing through the Country clearing are not paid or returned till the third day.

Scottish Cheques are cleared through the Scottish Clearing Houses; Irish Cheques through the Irish Clearing Houses. There is no central Clearing House for the clearing of cheques on all three countries, and Scottish and Irish charges must be remitted for settlement by post. This explains why bankers charge a commission for collecting Scottish and Irish cheques.

The student will see in the left hand corner of cheques the letters T. or M. or C. These letter indicate the clearing through which the cheque will pass. T. stands for Town clearing, M. for Metropolitan, C. for Country.

The London Clearing House publishes analysed returns of the clearings, from which we gather that in 1906 the total clearings were £12,711,334,300. On Stock Exchange settling days the clearings aggregated £2,031,582,000, or £84,649,200 per day; on Consols settling days the aggregate clearings were £644,534,000, or £53,711,200 per day; on ordinary clearing days the clearings per day were £36,479,000, and on the Fourths of the month £43,734,700. The reason for separate statistics for the Fourths of the month arose from the practice, formerly current, of drawing bills on the First of the month, which, with the three days' grace, made them payable on the Fourth of a month. This practice has fallen somewhat into disuse as bills are now drawn at any time. But the first few days of the month are favourite days for the settlement of accounts, hence the statistics are separately given, as still affording some indication of the condition—whether brisk or stagnant—of general trade.

What is the Money Market?

The student who has studied the foregoing chapters will be in a position to answer the question, What is the money market? He will have seen that it is composed of the aggregate number of borrowers and lenders of loanable capital. The borrowers are the mercantile community, private persons, municipal authorities, foreign governments, &c., and their borrowings take the form of (1) Discounted bills of exchange; (2) Advances on documentary bills or bills out for collection; (3) Overdrafts; and (4) Loans

against security. The purpose of the borrowers being (1) the buying and selling of commodities; (2) the conduct and extension of commercial and other enterprises; (3) investments on the Stock Exchange; (4) various purposes of State. The Stock Exchange is a large borrower against securities. The bill-brokers and discount houses borrow against bills, but are also lenders, for they in turn accommodate the mercantile community by discounting (buying) and also selling bills. The lenders are (1) wealthy mercantile firms and private persons; (2) the Bank of England; (3) the Joint Stock Banks; (4) the few private banks; (5) Discount Houses and Bill-Brokers. But it should be remembered that all dealers in loanable capital are both borrowers and lenders. They are ready to borrow at one rate and lend at a higher rate. The operations of wealthy firms and private persons are, however, spasmodic, and the Bank of England, owing to the immense development of Joint Stock Banking, has lost the great influence it once had over the rate of discount as a holder of mercantile bills. Hence, when we speak of the Money Market, the term is generally confined to the Joint Stock Banks, the Private Banks, and the Discount Houses and Bill-Brokers.

The Money Market a Scattered Market. Though most of the lenders of loanable capital are to be found in Lombard Street, or its immediate neighbourhood, the Money Market, it will be observed, is not a centralised, but a scattered market, so that, representing the world by a circle and the centre of the circle by Lombard Street, (London is the only really *free* money market in the world, and any country can apply there when in need of funds), the effect of dealings in loanable capital which take place on its circumference, as at all intermediate points on its radii, is gathered up and falls in its combined intensity on Lombard Street.

The small trader, say in Leicester, who puts an additional £50 of his savings on deposit with his banker; the London merchant who discounts a bill of £500, the evidence of a debt due to him by a trader either at home or abroad; the planter in British North Borneo who draws a bill on London against the shipment of produce he is preparing, and obtains an advance upon it; the banker in Ceylon who sells a draft on London to a local customer, to enable him to pay for goods imported with the minimum of trouble and expense, and covers the debit against him at the London accepting bankers by remitting a bill on London later in the year; the municipal authority that obtains an overdraft of £30,000 against the security

of the rates to prosecute a new drainage scheme or to establish new reservoirs; all exert their influence on the money market in a less, but no less certain, degree than the foreign Government which raises a new loan of £5,000,000 in London, and takes half of it out of the country in gold.

The Price of Loanable Capital. The student will have seen that what is really bought and sold, or borrowed and lent, is generally not actual money, but credit, *i.e.* the power to use credit instruments, cheques and bills of exchange—the credit instruments, if required, being readily turned into gold by those to whom they are given—and, as with all other things, the price of loanable capital or credit is determined by the relative intensity of supply and demand. This price is termed interest, and the interest is higher when loanable capital is scarce and the demand great, than when it is plentiful and the demand is slack. The Bank of England acts as arbiter of the relative intensity of these two forces—demand and supply—the lowest rate at which it will lend capital to its customers, or the Bank rate as it is called, being the basis on which all lenders of capital fix the rate of interest for advances.

Whence Loanable Capital is derived. The Joint Stock Banks, the Private Banks, the Discount Houses and the Bill-Brokers, are the immediate sources whence loanable capital is obtained. The remote and originating source is the nation itself. Ordinarily the nation spends less than it earns, and the surplus of its earnings, where it is not utilised for the extension of trading operations, or for investments, is placed with the banks on deposit or current account, whence it finds its way into the hands of those who desire to borrow it for the purposes described. Some 95 per cent. of the loanable capital held by banks on account of its customers is utilised in this way, and only 5 per cent. retained in cash.

Factors Influencing the Demand. The demand for loanable capital depends primarily on the state of trade. Brisk trade increases the number of bills, and these necessitate more capital for discounting them. It not only depends upon the *state*, but also upon the *character* of the trade, for when trade is really sound, and exhibits genuine expansion, confidence is begotten, and capital is more readily lent by those who have it at their disposal. It also depends upon political and social conditions. When the political horizon is darkened by wars or rumours of wars, or when grave social unrest is vexing the domestic life of the nation, lenders of

capital, in common with most other men, grow apprehensive, and do not lend so freely as in times of quietude and confidence. Finally, the supply depends upon the scope of Stock Exchange investment—a brisk state of the investment market requiring more capital to feed it than a stagnant condition.

Test Paper XXVII

1. State what you know of the Origin of the Bank of England.
2. Explain the difference between a Private and a Joint Stock Bank, and wherein a Savings Bank differs from either.
3. What is a Bank of Issue? How many such banks are there? Are they increasing or diminishing in number?
4. Enumerate the functions of a Trading Bank, and explain them as fully as you can.
5. Explain Commercial Credit; Banking Credit.
6. With what object were Savings Banks started? Give the main regulations governing public deposits in the P.O. Savings Bank. What is the maximum provision any one can make through the P.O. and in what forms can it be done?
7. Is the Bank of England a Government Bank? Give the main provisions of the Bank Act, 1844.
8. What do you understand by the "Fiduciary Issue," and what is its extent? Explain "Rest"; "Active Issue"; "Notes in Reserve"; "Other Deposits"; "Other Securities"; "The Reserve," used in connection with the Bank Return.
9. Why is the Bank Reserve of so much importance to the British people?
10. What are the influences tending towards a depletion of the Bank's Reserve, and what are the methods taken by the Directors to conserve the Reserve.
11. Explain the effect of increasing the Bank Rate. Why should an increase in the Rate affect the ordinary trader?
12. Explain as fully as you can the working of the Banker's Clearing System. What do the letters T, M, and C, which appear on cheques signify? What do you know of "Fourths of the month"? Why should bankers charge their customers for collecting Scotch and Irish cheques?
13. What do you understand by the phrase "Price of Loanable Capital," and what are the influences affecting the price? Whence is loanable capital obtained?
14. If the last Day of Grace is a Bank Holiday, on what day is a bill due?
15. What are Documentary Bills?
16. Which of the following instruments are negotiable: Cheque, I O U, L/C, B/L?
17. Define an inland and a foreign Bill. What are the essential points of difference between them?
18. A cheque endorsed to you by the payee is returned from your bank marked "refer to drawer." What would you do with it?

CHAPTER XIX

THE FOREIGN EXCHANGES

The student who has carefully studied chaps. xvii and xviii will know the meaning, and appreciate the significance, of the following terms: *Legal Tender*, *Standard or Unit of Value*, *Standard and Token Coins*, *Paper Currency* (*Convertible and Inconvertible*), *Premium on Gold*. He will also remember that:

(1) Bi-metallism is little more than a name, and that where the currency of a country is not virtually restricted to inconvertible and depreciated paper, as, *e.g.* in the Argentine Republic and Brazil, the monetary system, though sometimes a so-called double standard, is really mono-metallic, either gold, as, *e.g.* in Great Britain, France, Germany, the U.S.A.; or silver, as, *e.g.* in Russia, India, Mexico, China. In the case of countries with an inconvertible paper currency, the paper can only be used for internal exchanges, as foreign creditors will demand payment in gold, and the same remark applies to silver standard countries, in their relations with gold standard countries, for they also must pay creditors in such countries in gold. It should be mentioned, for completeness, that some countries, *e.g.* Portugal, with a gold standard, Russia, with a silver standard, and Italy, Greece, Turkey and Spain, with double standards, also have an inconvertible and depreciated paper currency.

(2) As the commercial development of a country advances the use of actual money, both for internal and external payments, is gradually superseded by Cheques and Bills of Exchange, which represent and do duty for actual money, so that, as we see in the case of Great Britain, some 97 per cent. of the exchanges evidenced by banking transactions are settled by these representative credit instruments, and not by the use of money.

(3) The banking system of Great Britain is peculiar, being based upon what is termed the *Single Reserve System*, *i.e.* the store of gold

coin and bullion in the vaults of the Bank of England is practically the only reserve in the country. Hence it is supremely important that this reserve should be maintained at a level which experience has shown to be adequate. This reserve is subject to drains: (*a*) home drains, of harmless character, easily provided for; (*b*) foreign drains, more fruitful of mischief, caused by the need of gold on the part of foreign countries for various purposes already enumerated; or in connection with the foreign exchanges—the subject we are now to consider. To resist these foreign drains the Bank of England may (1) buy gold bullion in the open market and issue notes against the notes so held; (2) raise the Bank rate of discount; (3) borrow loanable capital in the open market and accelerate the effect of a rise in the Bank rate; and, in the last resort, (4) by permission of Government issue notes in excess of the gold held.

Meaning of the term "Foreign Exchange." The term *Foreign Exchange* is used in two senses. In the first place it means the legal ratio which the sovereign bears to the standard gold coins of other gold standard countries, or the legal ratio between the standard silver coins of silver-standard countries. This ratio is invariable, and is termed the *Mint Par of Exchange*. In the second place it means the rate at which Cheques, Bills of Exchange, &c., payable in one country, are bought and sold in another country. This rate or ratio is variable, and is termed the *Current Rate of Exchange*. Three questions thus arise: (1) why should the Mint Par of Exchange be invariable and the Current rate variable? (2) what, if any, are the limits of movement in the current rate of exchange? (3) what are the causes affecting the current rate of exchange?

Mint Par of Exchange. British currency law enacts that the sovereign shall contain 7.988 grammes or 123.274 grains of standard gold, *i.e.* $\frac{11}{12}$ fine. German currency law enacts that $69\frac{3}{4}$ 20 mark gold pieces, $\frac{9}{10}$ fine, shall be coined from 500 grammes of fine gold.

? marks = £1.

if £1 = 7.988 grammes $\frac{11}{12}$ fine

and grammes 12 = 11 grammes fine

and grammes fine 500 = 1395 marks (*i.e.* $69\frac{3}{4}$ 20 mark pieces)

then $$£1 = \frac{7.988 \times 11 \times 1395}{12 \times 500} = \text{Mks. } 20.429 \text{ or } 20\ 43.$$

Similarly, by French Currency Law, 155 20-franc gold pieces are coined from 1 kilogramme of gold $\frac{9}{10}$ fine.

? Fcs. = £1.

Sovereigns 1869 = 480 ozs. standard

Ozs. standard 24 = 22 ozs. fine

Oz. 1 = 31.1035 grammes

Grammes fine 900 = 3100 francs

$$\text{Hence } £1 = \frac{480 \times 22 \times 31.1035 \times 3100}{1869 \times 24 \times 900} =$$

Fcs 25.2215 or roughly $25.22\frac{1}{2}$

By United States Currency Law. A $10 gold piece consists of 258 grains of gold $\frac{9}{10}$ fine.

? Dollars = £1.

if £1 = 123.274 grains $\frac{11}{12}$ fine

and 12 grains = 11 fine

and $\frac{9}{10}$ of 258 grains = $10

$$\text{then } £1 = \frac{123.274 \times 11 \times 10}{12 \times 232.2} = \$4.866 \text{ or approx. } \$1 = 49\tfrac{5}{10}\text{d.}$$

It will be seen from the foregoing examples that the Mint Par of Exchange is little more than the physical measurement of the sovereign in terms of Marks, Francs and Dollars, &c.; much as if we were to say that 100 lb. avoirdupois are equal to 45.36 kilos. It is however something more than this, because when, *e.g.*, it is said that £1 = fcs. 25.2215 it is not meant that any sovereign actually contains as much gold as any fcs. 22.2215, or *vice versa*. It may or may not be so, according to whether the sovereign and the francs were originally of full weight and the exact degree of fineness prescribed by law, and still retain their weight, or not. But whether it is or is not the fact that there is as much gold in any sovereign as in any fcs. 22.2215, matters nothing. The laws of the respective countries say that there is, and until either law says otherwise then no matter what the state of the coinage, the Mint Par, *e.g.* £1 = fcs. 22.2215, or £1 = Mks. 20.43, or £1 = $4.866, holds good. This then is the reason why the mint par of exchange between the standard coins of gold standard countries is invariable.

Observe, however, that there can be no mint par of exchange between a gold standard country and a silver standard country, or between a gold standard country and a country whose currency is inconvertible and depreciated paper. In gold standard countries silver is merchandise,

bought and sold at market rates, and the value of silver in terms of gold is continually changing. In countries possessing an inconvertible and depreciated paper currency gold is always quoted at a greater or less premium in terms of paper. There can, however, be a mint par of exchange between two silver standard countries, *e.g.* Japan and India. The Japanese silver yen consists of 416 grains $\frac{9}{10}$ fine; the Indian rupee of 165 grains fine silver to 15 grains alloy. Hence

? rupees	=	100 yen.
1 yen	=	$\frac{9}{10}$ of 416 grains fine.
165 grains fine	=	1 R.
Hence 100 yen	=	Rs. 226.91.

Current Rate of Exchange. If, waiving the impossibility of such a proceeding, primitive conditions prevailed, and merchants trading abroad were in the habit of carrying large sums in legal tender, and settling their accounts in person, then the settlements would be effected at the mint par, *i.e.* selecting Germany as an example, the British exporter would receive the value of his export in reichsmarks, and the German exporter the value of his in sovereigns. But exports and imports are not and cannot be settled in this way. Ignoring those cases where the debt due to an exporter is liquidated by an import received from his debtor, or partially liquidated by an import (the balance being received in the shape of a Bill of Exchange), a British trader, when he exports goods to Germany, does one of two things. (1) He either draws a Bill of Exchange on his German debtor, or (2) he stipulates for payment by a Bill of Exchange on London—most frequently he follows the latter course. Similarly, when a German exports goods to Britain he either (3) draws a Bill of Exchange on his British debtor, or (4) leaves him to remit by a Bill of Exchange on Germany—most frequently he follows the first course. Hence, at any particular moment in the commercial relationship between Britain and Germany (the student will remember that Germany stands in this illustration for all foreign countries), there are (1) a number of Bills drawn by Britons on Germans, but (3) a far larger number drawn by Germans on Britons, in addition to which there are (2) a number of bills on London remitted by Germans and (4) a number of remittances to be made by Britons to Germans. The British drawers of bills on Germans discount or sell their bills to Bill-brokers and Foreign Bankers in London, and the German drawers of bills on Britons discount or sell their bills to Bill-brokers or Bankers in Germany. The Britons who have to remit to Germans buy the bills that have been discounted in London, and send them to their German creditors, and

the Germans who have to remit to Britons buy the bills discounted by Germans, and send them to their British creditors. Now buying and selling bills is just like buying and selling wheat, wool, etc. The price of the bills is conditioned by supply and demand. If the demand is greater than the supply the price rises, if less it falls. This then is the reason why the current rate of exchange is a variable rate.

Gold Points. It has been said that fcs. 25.2215 are equal to £1 because fcs. 25.2215 are legally taken to contain as much gold as £1. But that quantity of francs can only be equal to £1 if the francs are in this country. Hence, in calculating how much a given number of francs will produce in England, the cost of transport and insurance must be taken into account. Now freight and insurance vary with the size of the shipment, and the shipper's ability to make a good contract. But we will take the outside cost to be 10 centimes per £. Then every £ placed in England will cost the French remitter of gold, fcs. 25.2215 (the mint par) + .10 = fcs. 25.32. Now if, owing to a rise in the price of cheques and Bills of Exchange on London, the Paris rate is quoted fcs. 25.32 = £1, it will make little difference to a Frenchman who has to remit £1 to London whether he remit gold at a cost of fcs. 25.32 = £1 or buy and remit a Bill of Exchange costing fcs. 25.32. But if the price of cheques and bills were to rise above fcs. 25.32 = £1 it would be cheaper for him to remit gold. Hence the price of a Bill of Exchange on London cannot ordinarily rise beyond 25.32, because no Frenchman would pay more for a bill than the cost to him of remitting gold. Suppose now that, owing to a lack of demand for, or a redundant supply of cheques and bills on London, the cost fell below the mint par, and stood at fcs. 25.12 = £1 (*i.e.* 10 centimes per £ [the cost of exporting bullion] lower than the mint par). In that case it would be a matter of indifference to the British debtor whether he paid his Paris creditor by bill at fcs. 25.12 = £1 or remitted gold at a cost of £1 = fcs. 25.22, less charges 10 centimes per £1 = fcs. 25.12. He would not however remit by bill at less than fcs. 25.12 = £1, when he could always send gold and realise fcs. 25.12 = £1. Hence the price of a bill on Paris cannot ordinarily fall below 25.12. Thus fcs. 25.32 and fcs. 25.12 are termed *gold* or *specie points*, 25.32 being (from the British point of view) the gold *gaining* specie point, *i.e.* the point when a Frenchman begins to

think of shipping gold to Britain, instead of buying and remitting bills, and 25.12 being (again from the British point of view) the gold *losing* specie point, *i.e.* the point when the British trader prefers to remit gold to France rather than buy and remit bills. As pointed out, the gold points between two gold standard countries cannot be definitely fixed, but approximately they are for the capitals mentioned as follows :

	Short Exchange			Short Exchange.		
Paris	Fcs. 25.12	against	London	25.32	for	London
Berlin	Mks. 20.33	,,	,,	20.52	,,	,,
New York	$ 4.835	,,	,,	4.895	,,	,,

These gold points respectively mark the general limits of the rise and fall in the price of Bills of Exchange.

These three centres, Paris, Berlin and New York, are practically the only centres from which we receive gold as a result of exchange movements. But we also get gold from Australia, some part of which comes to us through the exchanges, but the greater part as merchandise. South Africa also sends us gold, but as South Africa has no mint of her own some portion of these shipments is returned in the shape of gold coins—sovereigns and half-sovereigns. India also sends us gold.

"Favourable" and "Unfavourable" Exchange. When the Paris, Berlin, or New York rates *quoted in the foreign currency* (the New York rate is so quoted in the course given on p. 396, but frequently it is quoted in sterling) are below mint par, they are termed "unfavourable." Similarly, when the rates *quoted in the foreign currency* are above mint par, they are termed "favourable." It was part of the *Mercantile Theory* of economics that the greater the quantity of the precious metals utilised in a country as currency, and accumulated as stocks, the greater was the wealth of the country. Therefore every gain of gold was a blessing, and every loss of it a misfortune. Hence a state of the exchange which brought gold was "favourable," and one that encouraged the export of gold was "unfavourable." This theory is now discarded. But there is a sense in which the terms are rightly used. The student has seen that a high rate tends to induce shipments of gold to Britain, and a low rate to induce shipments of gold from Great Britain. The second tendency is much more pronounced than the first because while London, like New York, is a perfectly free market for gold, the Bank of France places a premium upon it, and discharges her

notes either in silver or gold at option, while the Reichsbank in Berlin gives a little better price for gold than other State banks, and, as soon as there is any danger of gold remittances having to be made, adopts other means to restrict the demand for gold by the German banks. Now inasmuch as any large efflux of gold from Britain can only take place by a depletion of the single reserve at the Bank of England, the Bank, in self-defence, must raise its discount rate. A rise in the bank rate is followed by a rise in the deposit rate, and by a rise in the market rate. And, when borrowers have to pay more for loans, trade is restricted. Hence a state of the exchanges which permits a low bank rate is regarded as favourable, and a state of the exchanges which necessitates defensive action by the bank is regarded as unfavourable.

Observe however, that these terms "favourable" and "unfavourable" are used solely with reference to gold movements. If, *e.g.* the Berlin Exchange were to rise from 20.45 to 20.47 it is good for the money market, and good for an individual British debtor who has to remit money to Berlin, for he gets 2 Pfge. more for the £ than he did before. But it is not good for the British creditor who has to draw upon or receive from Berlin, for he gets 2 Pfge. less per £ than he did before. Further, these terms have a twofold aspect, viz. the aspect from the *home* and the aspect from the *foreign* point of view. What is *favourable* to Britain is *unfavourable* to the foreign country, and *vice versa.*

The Royal Exchange. The business of bill dealing in this country is centred in London, and twice a week foreign bankers (British bankers do not deal in foreign bills) and bill-brokers meet at the Royal Exchange, opposite the Bank of England, for the purpose of buying and selling bills. At one time all kinds of business was conducted at the Royal Exchange, but owing to the enormous development of modern commerce, separate exchanges, or markets, have been established for its different branches (*see* p. 142). The quiet conduct of the bill dealers on 'Change offers a remarkable contrast with that of the excited behaviour of merchants at the wool and other sales. Business is quickly accomplished, and the brokers then issue their price list for bills, commonly called a *Course of Exchange.*

Course of Exchange.

London, March 1, 1910. Prices current on 'Change.

Holland	3 m's	12.4¼ – 12.4½	Guilders and
	cheque	12.2¾ – 12.3	Stivers for £1.[1]
Belgium	3 m's	25.46¼ – 25.48¾	Francs and Cen-
„	cheque	25.28 – 25.29	times for £1.
Germany	3 m's	20.62 – 20.64	Marks and
„	cheque	20.45 – 20.46	Pfennige for £1.
Paris	3 m's	25.33¾ – 25.36¼	Francs and Cen-
„	cheque	25.17 – 25.18	times for £1.
St. Petersburg	3 m's	25⅛ – 25	Pence for 1
„	cheque	25⅛ – 25⅜	Rouble.[2]
Austria	3 m's	24.26¼ – 24.28¾	Kronen and
„	cheque	24.05 – 24.06	Hellers for £1.
Italy	3 m's	25.55 – 25.57½	Lire and Cen-
„	cheque	25.32½ – 25.33½	tesimi for £1.
Spain (Bank Places)	3 m's	44 1/16 – 43 15/16	Pence for 1 Peso.[3]
„	cheque	44⅜ – 44½	
Lisbon and Oporto	3 m's	47 1/16 – 47 7/16	Pence for 1
„ „	cheque	48 – 47⅝	Milreis.
Switzerland	3 m's	25.40 – 25.42½	Francs and Cen-
„	cheque	25.20½ – 25.21½	times for £1.
Scandinavia	3 m's	18.43 – 18.45	Kronors and Ore
„	cheque	18.21 – 18.23	for £1.
New York	T.T.	4.87 3/16 – 4.87 5/16	Dollars for £1.[4]
„	cheque	4.87⅜ – 4.87¾	
Bombay and Calcutta	T.T.	1/4, 1/16 – 1/4, 1/8	Pence for 1 Rupee.

Notes. (1) The money of account in Holland is the Guelder or Florin = 100 Cents, and a quotation Amsterdam on London would be given in Guelders and Cents per £. The *Stiver* used for quotations London on Holland is an antiquated coin now disused. Twenty Stivers = 1 Guelder, hence 1 Stiver = 5 Cents, and the corresponding quotation Holland on London to that given above would be 3 m's 12.21¼–12.22½ = £1.

(2) The Russian quotation is not in pence per Rouble but in roubles per £10. On March 14, 1910, St. Petersburg quoted London 94.38–94.48 per £10.

(3) The *Peso* is the Spanish 5 Franc piece or Dollar.

(4) The quotation here is Dollars per £, but frequently the London quotation is given in pence per $. New York quotes on London in $ per £.

(5) T. T. = Telegraphic Transfer (*see* p. 332).

(6) In some Courses of Exchange quotations are given on several large Spanish commercial centres—the quotations being the same. Here there is one quotation under the heading Spanish *Bank Places*.

Bill-Brokers : Discount Houses. A bill-broker is an intermediary between the banker and the public. In the same way that we have brokers intervening between importers of foreign produce and wholesale merchants, or between the jobber on the Stock Exchange and the private buyer of securities, so also in the matter of bills. The reason of this is that bill-dealing is a highly technical business to which the ordinary merchant or even the banker is unable to give the time necessary for its mastery and conduct. Long practice in handling bills and intimate knowledge of the financial standing of the drawers, acceptors and endorsers of bills, have made the bill-brokers adepts at distinguishing a bad from a good bill—*i.e.* a bill offering good security and representing a real exchange of values, and a mere accommodation bill representing no exchange of values, and offering little or no security. Bill-brokers work mainly on capital borrowed from the banks, and realise their profits by fractional differences between the prices at which they buy and those at which they sell bills ; and also between the rate of interest they pay the bankers for loans which they raise on parcels of bills deposited as security, and the discount rate they charge the public for discounting bills. The banks generally have a great deal of money which they can, with perfect safety, loan for short periods. Loans to Bill Brokers form one of the modes in which this money is usefully employed. The shortest period loan, and therefore the cheapest, is from the afternoon of one day to the morning of the next, and is termed *Overnight Money*. Other loans are payable at call, and are known as *Call Money*. When a loan is made for a week it is called *Weekly Money*, and so on. The student now understands the terms "Short," "Medium," and "Long Money" frequently mentioned in the money articles in the daily Press. The student has already seen that most bankers are willing to discount the ordinary mercantile bills of their customers. Bills of this kind discounted by Clearing Bankers never come on the market again, but are held by the bankers till maturity. It is different with foreign bills. Take, *e.g.* the case of cotton sales. A U.S. dealer sells a shipment of cotton to a Liverpool Broker and draws against the shipment, attaching the shipping documents to the draft. The draft is not drawn on the Liverpool Broker but on an English bank acquainted with the Broker, and paid by him to accept the draft on his behalf. This draft with documents attached is readily sold by the U.S. dealer to a U.S. banker, and remitted by the

latter to his London correspondent who, after obtaining acceptance, discounts the bill through a Bill Broker. The latter, in turn, may find it necessary to deposit the bill (one of a parcel of such) with a Joint Stock or Private Bank with whom he deals as cover for an advance, or to re-discount bill; or he may, through a scarcity of loanable capital, be "forced into the Bank" (*i.e.* the Bank of England). If the discounting is done with the Bank the bills are held till maturity and not again put on the market. The main business of Bill Brokers and Discount Houses is consequently in these and similar foreign bills obtained from the London agents of Foreign banks, and the large firms of mercantile agents doing business abroad.

Quotations are either in Foreign Currency or Sterling. The first thing that will strike the student on looking at the Course of Exchange is that, while most of the quotations are in the foreign money, some (St. Petersburg, Spain, Lisbon and Oporto, Bombay and Calcutta) are in English currency. When it is said that a high rate of exchange is "for" us and a low rate "against" us, the remark can only have reference to those exchanges which are quoted in the foreign currency, and not to those quoted in English currency. For example, if the Holland cheque rate quoted above at 12.2¾ advance to 12.3 the advance is "for" us; if it fall to 12.2½ it is "against" us. But in the case of Spain, if the cheque rate quoted $44\frac{1}{16}d.$ per peso advance to $44\frac{1}{8}d.$ it is "against" us, whereas if it fall to $44d.$ per peso, it is "for" us. But as was remarked previously (*see* p. 395), these terms are purely relative. As stated here, they are true only from the point of view of the money market and of persons who have to remit abroad. Where a person has to receive money from, or wishes to create a fund in the foreign country, the exact reverse is true. Generally speaking, the European exchanges are quoted both in London and on the continent the same way, *e.g.* both London and Paris quote in francs. The extra European exchanges are quoted in London in sterling. The continental practice in the respect differs from London—*all* the exchanges being stated in this currency of the country quoting.

The Double Quotation. The second thing the student will notice is the double quotation both for the three months' rate and the cheque rate. In the case of the three months' rate the explanation is that the worse rate for remitting (*i.e.* the *lower* rate when quoted in foreign currency, and the *higher* rate when quoted in sterling), is

for *bank* bills, and the better rate for remitting (*i.e.* the *higher* rate when quoted in foreign currency, and the *lower* rate when quoted in sterling), is for mercantile bills. Inasmuch as a bank bill offers better security than a mercantile bill, it is to be expected that a buyer should pay more for the former than for the latter (*i.e.* that he should get less of the foreign currency per £ in the case of a bank bill, and more of the foreign currency per £ in the case of a mercantile bill).

When, however, it comes to a question of discounting, the bank bill is discounted at the lower market rate, and the trade bill at the higher bank rate of the foreign country, so that the proceeds of the discounted bank bill are usually only a trifle less than the proceeds from the trade bill, though originally the bank bill cost the remitter more than the trade bill.

In the case of the cheque rate the variations in the two prices are confined within much narrower limits.

Short Bills—Long Bills. A bill which has any period up to ten days to run before it reaches maturity is termed a *Short Bill*, while one that requires the lapse of a longer period to reach maturity is termed a *Long Bill.* In the course of exchange given above, the long bills quoted are three months' bills. This does not mean that the bills have been drawn at three months, but that they have still three months to run before the day of payment arrives. Where the bill bought or sold falls short of or exceeds the three months, interest must be taken into account. Interest figures in most bill transactions.

Sight Exchange—Long Exchange. If the student will look at the Paris rate quoted in the Course of Exchange, he will see Bank paper three months 25.33¾, cheque (=sight) 25.17, *i.e.* a buyer of a cheque on Paris gets 16¾ centimes less per £ than if he bought a three months' bill. But the buyer of a cheque gets his money at once, whereas in the case of the bill he would stand out of it for three months, consequently, the interest on the money at the *Paris* rate must be taken into account and also the French bill-stamp required, therefore the long exchange = the cheque rate + interest at the foreign rate + the foreign bill-stamp. Suppose the market discount in Paris for bank bills were 2½ per cent. The charge for bill-stamps is ½ franc per 1000 fcs. or ½ per mille. Then the cheque rate being 25.17

Add Interest 2½ per cent. for three months . 15½

Bill-stamp ½ per mille. . . 1¼

Long Exchange . . . . . = 25.33¾

If an English trader bought fcs. 25,337½ in the three months' bank bills the cost to him would be £1000; sent to Paris and discounted there at market rate the proceeds would be fcs. 25,166 thus:

		fcs. 25,337·50
Less discount three months @ 2½ per cent.	158.35	
Bill-stamps	13	171.35
		fcs. 25,166.15

which gives an exchange of 25.16½, or, roughly speaking, about the same as the cheque rate.

If however we consider the question of the long exchange from the Paris trader's point of view we find that instead of adding Interest and Bill-stamp at the foreign rate (in this instance the *London* rate) to the cheque rate, in order to arrive at the long exchange we must deduct them. If the cheque rate Paris on London were 25.17, a French trader would be willing to give that number of francs for £1 to be paid at once, but if the £1 were not to be paid for three months he would not give so many francs. Therefore in his case the long exchange = cheque rate − interest at foreign rate − foreign bill-stamp. Suppose the market rate for the bank bills in London were 2½ per cent., the same as the French rate. The bill-stamp costs ½ per mille.

		Cheque rate = 25.17
Deduct:		
Interest 2½ per cent. for three months	.15½	
Bill-stamp ½ per mille . . .	.1¼	.16¾
	Long Exchange =	25.0¼

If a French trader bought three months' bank bills on London for £1000 the cost would be fcs. 25,002½. The £1000 remitted to London and discounted would produce £993 5*s.* 0*d.* thus:

		1000	0 0
Less Discount 2½ per cent. for three months	£6 5 0		
Bill-stamp	10 0	6 15	0
		£993	5 0

Again giving an exchange roughly equal to the cheque rate Paris on London 25.17. The student must therefore remember that when a country quotes in its own currency the long exchange is lower than the cheque rate, and that when it quotes in foreign currency the long exchange is higher than the cheque rate.

Checks upon Exchange Movements. It has been said that if the

rate of exchange between two countries—say, *e.g.*, France and Britain—rise or fall to the gold point, specie payments become imminent. There are, however, checks upon both rise and fall, and a progressive upward or downward movement in the exchange rate proceeds in clearly marked stages. In the first place there are two sorts of bills, viz. *Mercantile Bills—i.e.* bills created by one merchant on another—and *Banker's Bills—i.e.* bills drawn by one bank upon another bank against cover (or balances) kept by the drawing bank at the accepting bank. When the supply of mercantile bills on London shows signs of failing, and the exchange rises, recourse is had by French traders who have to remit to Britain to these banker's bills, which, because they offer better security, command a better price, and are not therefore called into full play while the cheaper mercantile bills hold out. The supply of banker's bills then retards the rise of the exchange. But if the supply of these banker's bills begin to fail and the exchange still to rise, then Paris bankers adopt the expedient of drawing upon other countries, whose exchange stands at a lower level, against cover, and instructing the accepting bankers to remit the proceeds on their account to London. This imposes a further check on the rise, and explains the phenomenon of the continental exchanges rising together. Even when this method of settling international indebtedness becomes too costly, gold shipments can still be avoided by buying and remitting first-class securities quoted on London and continental stock exchanges. It is only in the last resort that gold shipments are made, and then gold is used because it is the cheapest medium in which to discharge debts.

In the reverse case of a progressive fall in the exchange, owing to a redundant supply of bills on London, a check is imposed by foreign bankers, speculating in London bills, *i.e.* buying them up in the hope of a subsequent rise in price, while, should the fall continue, they sell bills on countries where the exchange is quoted high, and use their London bills as cover for their drafts, the result being that the other Continental Exchanges also fall, till perhaps the exchanges as a whole may fall so low that the London bills are remitted to London, and the proceeds withdrawn in gold.

Investment Demand illustrated. London bankers do not as a rule invest in foreign bills, but buying London and other foreign bills for investment is a regular feature of foreign banker's business. Suppose, *e.g.* that the sight exchange Paris on London

stood at fcs. 25.26 = £1., and that the market rate of discount in Paris and London was 2 per cent. Then three months rate Paris on London would be fcs. 25.26 less three months @ 2 per cent. = 25.11. If the market rate in London increased from 2 per cent. to 3 per cent. the three months rate Paris on London would fall from 25.11 to 25.07 and a Paris banker buying a three months' bill on London for £500 @ 25.07 would give fcs. 12,535 for it. The difference of 1 per cent. between the Paris and London discount rates would occasion a demand for London bills for investment, and a consequent diminished supply of bills. Hence the sight rate Paris on London might very well rise several points from 25.26, say to 25.30. If it stood at the latter figure when the £500 bill on London had reached maturity the Paris banker holding it would sell @ 25.30 and get fcs. 12,650 for it, *i.e.* fcs. 115 more than he gave for it, thus realising a profit of a little over $3\frac{1}{2}$ per cent. per annum.

Great Britain's International Trade. It has been seen that the price of Cheques, Bills, &c., is conditioned by supply and demand, that is to say, if, selecting France as an example, Great Britain has sold more goods to France than France to Great Britain, then the price of Bills on London will rise, because the supply will be less than that required by France for remitting her indebtedness to Great Britain. Provisionally, it may be stated thus, that the exchange between two countries is determined by the balance of trade between the two countries. But if the student will consult the Board of Trade returns for 1908 he will find that whereas we imported goods to the value of £592,953,487, we only exported goods to the value of £456,727,521, showing an excess of Imports over Exports of £136,225,966. If the balance of trade alone effected the rate of exchange between Great Britain and foreign countries, then, because Great Britain buys more from most of them than she sells to them, it would appear that the exchanges should be generally adverse to Great Britain. But with the exception of France, Germany, and the United States, whose exchanges are sometimes adverse and sometimes in favour of Great Britain, and India (an agricultural country habitually exporting more than she imports, and for which Great Britain acts as world agents) the usual condition of the exchanges is favourable to Great Britain. The explanation is that the Board of Trade Returns leave out of account factors, which in any consideration of the theory of the foreign exchanges must be

included. It has been estimated that, in 1907, the amount accruing to our Shipowners for carrying services, to our Merchants and Brokers for commissions and brokerages in connection with the sale of foreign and colonial goods consigned to this country, and to our Bankers and others for acting as financial agents for foreign and colonial Bankers and Merchants, amounted to over £90,000,000; while the interest and dividends annually due to this country on foreign and colonial investments, loans, &c., approximate to £100,000,000. Neither of these vast sums is included in the Board of Trade returns. They are *invisible exports*, but not on that account the less real. If we add these sums (as we must) to the exports of goods, the excess of imports is at once wiped out and a substantial balance remains on the export side of the account. Great Britain is the greatest creditor country in the world. She buys goods from every country, which she pays for either by exports or services rendered, or which she takes in lieu of interest, and her vast trade has made her the clearing house of the world. So that countries which have no exchange between them may transact business together, settling their accounts by bills on London, where credits are specially kept by the buyers of goods for the purpose of meeting the bills at maturity. It is not, therefore, correct to say that the rate of exchange is determined by the balance of trade, and to say no more. We ought rather to say that the rate of exchange is determined by the balance of indebtedness between two countries, and by indebtedness must be understood, not indebtedness in general, but the balance of indebtedness between two countries arising at any particular moment for settlement.

Balance of Indebtedness. The elements composing the balance of indebtedness which at any particular time may arise for settlement between Great Britain and a foreign country may be marshalled under the following heads:

(1) *International Trade.* Here the balance is for or against Great Britain, according as she has sold more goods to, or bought more goods from, a particular country.

(2) *Freight, Commissions, Brokerages,* &c. In favour of Great Britain for the reasons given under "International Trade," see above.

(3) *Investments in Bills.* This has already been dealt with (*see* p. 381). A strong continental demand for investment

purposes inclines the exchanges favourably to Great Britain.

(4) *Loans to Foreign Governments*, &c. In a paper read before the Royal Statistical Society, June 15, 1909, Mr. Paish estimated British investments abroad, up to the end of 1907, at £2,693,738,100; and the investments for the year, July 1, 1908, to June 30, 1909, at £175,666,167, or an average for the three years, 1906–1909, of about £125,000,000. A foreign loan at the time of issue inclines the exchange of the borrowing country against Great Britain, because additional supplies of bills on London are thus created, but the payment of interest on loans already granted has the opposite effect, because this causes an additional demand for London bills.

(5) *Stock Exchange Dealings*. Taking the United States as an illustration London stockbrokers may either (*a*) buy securities for United States brokers or clients, or (*b*) sell securities through United States brokers. Both these operations necessitate remittances from the United States to Great Britain. Conversely, London stockbrokers may either (*c*) sell securities for United States brokers or clients or (*d*) through United States brokers buy securities. Both these transactions necessitate remittances from Great Britain to the United States. Accordingly as (*a* and *b*) is greater or less than (*c* and *d*) so the balance under this head is for or against Great Britain.

(6) *Arbitrage Dealings*. For or against London. *See* p. 406 for explanation of arbitrage.

(7) *Clearing Bills*. These are bills drawn on London by continental merchants against credits kept here to pay for importations from the East and other parts of the world, *e.g.* a German merchant may import goods from India and pay for them by a bill on London. These bills arise from London's position as the world's clearing house (*see* p. 403). Owing to the magnitude of our trade and other causes London bills are in greater demand than other bills, and therefore command a better price. (*See* Young's "Plain Guide to Investment and Finance," p. 340, for a very lucid exposition of the part London plays as the world's clearing agent.)

Accommodation Bills. These bills must not be confused with the useless paper mentioned on p. 330 (*a*) Much in the same way that bankers grant credits to reputable merchants here, so they grant them to reputable merchants abroad, who are thus enabled by drawing against their credits to extend the scope of their operations. (*b*) In agricultural countries, living by the sale of harvest products, bills on London are numerous and, therefore, cheap during the export season, scarce and, therefore, dear at other times of the year. London bankers accommodate exporters in such countries by allowing them to draw in advance of shipment, thus enabling them to secure a better price for their bills than they would later when there was a glut of such bills. Similarly, London bankers accommodate local bankers by honouring their bills during the periods when London bills are scarce, and allowing them to liquidate the debit balances thus created by purchasing and remitting bills on London bought up during the export season, when they are numerous and cheap.

Circular Letters of Credit (L/C). In the section on the Bank of England the autumn drain of gold was partially accounted for by the cashing of notes spent abroad by the holiday public. The richer class of travellers do not, however, carry gold or notes in large quantities. They provide themselves with Letters of Credit, documents issued by bankers here and addressed to one or a number of bankers abroad, against which they draw bills on London as required, and negotiate them with the bankers named in the L/C. The amount drawn on London in this way amounts to a very large sum. But, of course, it has all to be paid back. This remark also applies to Clearing and Accommodation Bills. So that the exchange is only affected on balance, which may at any particular moment be for or against London.

(8) *Foreign Deposits.* A last possible cause of fluctuations in the exchange may result from withdrawals, in gold, of deposits held by British bankers on foreign account.

The student will see from the above analysis that the causes affecting a rise or fall in the rate of exchange between Great Britain

and a particular country are complex and almost incompetent of accurate analysis. In the case of sudden and great variations definite causes may be assigned, but in the case of ordinary movements little more can be said than that they are determined by the total effect of the causes mentioned, and that, as between Great Britain and any foreign country, the state of the exchange is favourable or unfavourable to Great Britain, according as the balance of indebtedness, arising for settlement from any of the causes mentioned that may be operative between the two countries, is at the moment for or against London.

Arbitrage. Where, *e.g.* a bill on Paris is bought in London, remitted direct to Paris, and sold there, or *vice versâ*, a certain rate of exchange is produced. This is called a *direct exchange*, and the rate a *direct rate*. But owing to variations in the rates of exchange, as quoted in different commercial centres, it is frequently possible to obtain a better rate by buying a bill, say on Berlin, and selling it in Paris, than by remitting direct from London by a bill on Paris. This is called an *indirect exchange*, and, where an indirect exchange is effected, the resultant rate produced between Paris and London is termed *arbitrated exchange*. It is *simple* arbitration, or a *simple* arbitrated rate, when, as in the case supposed, only one intermediate capital is employed; and *compound* arbitration, or a *compound* arbitrated rate, when two or more capitals are employed. In the case of a rate quoted in sterling any arbitrated rate is better than a direct rate if it is less than the direct rate, *i.e. provided remittances have to be made*, but if bills have to be drawn upon or remittances received from the foreign place, the exact reverse. When the rate is quoted in foreign currency any arbitrated rate is better for remittances than a direct rate if it is greater than the direct rate, but for receipts the exact reverse. (*See* p. 395, note on "favourable" and "unfavourable" for explanation.)

EXAMPLE I. *Simple Arbitration.* I buy a cheque on Amsterdam at 12.3 stiv. per £1, send it there, and have the proceeds @ fl.48 = fcs.100 forwarded to Paris. What is the resultant sight rate London on Paris?

$$\begin{aligned} \text{? fcs.} &= £1 \\ £1 &= 12.15 \text{ cents.} = (12.3) \\ \text{fl.}48 &= \text{fcs.}100 \end{aligned}$$

$$\frac{12.15 \times 100}{48} = \text{fcs.}25.31$$

This is without allowing for charges (brokerages and stamps). If, allowing for these, the direct st. rate London on Paris were anything lower than the net arbitrated rate produced as above, then it would be more advantageous for me to remit through Amsterdam than direct.

EXAMPLE II. *Compound Arbitration.* I have to remit to Paris, and the direct cheque rate is fcs.25.20 = £1. If, instead of remitting direct, I buy a cheque on Amsterdam at 12.2, have the proceeds invested in 3 months' bills on Berlin @ 59, and the bills remitted to Paris, where they are sold @ 123—whether should I gain or lose by the process?

? fcs.	=	£1
£1	=	fl.12.10 cents (= 12.2)
fl.59	=	mks.100
mks.100	=	fcs.123

$$\frac{12.10 \times 100 \times 123}{59 \times 100} = \text{fcs.}25.22\tfrac{1}{2}$$

Thus I should benefit to the extent of $2\frac{1}{2}$ cents per £1; but here, as in the former illustration, no allowance for brokerages and bill-stamps has been made.

The principal of arbitration is not confined to making or receiving remittances, but is the basis of a regular speculative business, by which firms acting in conjunction with their branch houses abroad, or independent firms acting in concert, are enabled to realise profits. Thus, in the following example of compound arbitration:

I invest £1000 in a 3 months' bills on Berlin @ 20.50, sell the bills in Amsterdam @ 58.75, invest the proceeds in a st. bill on Milan @ 42, sell this bill in Paris at 11 per cent. discount, and buy a 3 months' bill on Barcelona @ fcs.5 per peso, which I sell in London @ 48*d*. What is my profit?

? Pounds	=	£1000
£1	=	mks.20.50
mks.100	=	fl.58.75
fl.42	=	lire100
lire100	=	fcs.89
fcs.100	=	pesos 20
peso1	=	48*d*.
240*d*	=	£1 = £1020 17*s*.

The gross profit is thus £20 17*s*., but brokerages, bill-stamps and commissions, and the interest during the time covered by the

MONETARY TABLE

Country.	Moneys of Account.	Mint Par with Gt. Britain	Gold Points.	Standard	Remarks.
British Isles, Australia, New Zealand, Brit. S. Africa, Falkland Isles, Fiji, Gibraltar, St. Helena, Brit. Guiana and some W. Indian Isles, Guernsey, Jamaica, Jersey, Malta, Brit. W. Africa				G.S.	Same as Gt. Britain, but some of these colonies have special subsidiary coins of small denomination.
Brit. E. Africa and Uganda .	1 rupee = 100 cents	Fixed Rating Rs. 15 = £1			
Newfoundland . . .	1 dollar = 100 cents	$2 = 100 pence			
Canada	,, ,,	4.866 = £1		G.S.	All U. S. coins and the Brit. sovereign and half-sovereign are in circulation.
EUROPE:			Short exchanges		
France. . . .	1 franc = 100 centimes	25.2215 = £1	25.11–25.33	D.S.	These countries form the Latin Monetary Union, and the coins, though sometimes differently named, agree in weight and fineness. The D.S. is virtually a single G.S. Greece and Italy have a D.P.C.†
Belgium . . .	,, ,,			D.S.	
Switzerland . . .	,, ,,			D.S.	
Italy	1 lire = 100 centesimi			D.S.	
Greece . . .	1 drachma = 100 lepta			D.S.	
Bulgaria . . .	1 leva = 100 stotinkis			G.S.	These countries have in part conformed to the system of the Latin Union. Both Russia and Spain have a D.P.C.
Roumania . . .	1 ley = 100 banis			G.S.	
Russia . . .	1 rouble = 100 copecks	1 rbl. = 3/2*		S.S.	
Servia	1 dinar = 100 paras			G.S.	
Spain	1 peseta = 100 centesimos	25.22 = £1 or 47.58*d.* = 1 peso		G.S.	
Denmark . . .	1 krone = 100 ore	18.15982 = £1	Short exchanges 18.06–18.26	G.S.	The monetary system is the same in all three countries.
Norway . . .	,, ,,				
Sweden . . .	,, ,,				
Austria . . .	1 krone = 100 hellers	24.02 = £1		G.S.	
Finland . . .	1 markkaa = 100 penni	1markkaa = 9½*d.**	Short exchanges	G.S.	
Germany . . .	1 mark = 100 pfennige	20.429 = £1	20.31–20.53	G.S.	
Holland (and Java) .	1 florin = 100 cents	12.1071 = £1	12.02–12.17	G.S.	

Portugal . . .	1 milreis = 1000 reis	1 ilreis=53.285*d.*		G.S.	Portugal has a D.P.C. and the mint par and gold points have no practical value. 1000 milreis = 1 conto of reis; 100 contos = 1 cento de contos of reis.
Turkey in Europe and Asia .	1 £T=100=piastres=400 paras	1 £T=18.45*s.*			
Egypt	1 Egyptn. £ = 100 piastres		Short exchanges 4.83–4.90	D.S.	Virtually the standard is gold.
United States . . .	1 dollar = 100 cents	4.866 = £1			
CENTRAL AMERICA:					
Mexico . . .	1 peso = 100 centavos	1 Peso = 4/3¾ *		S.S.	The Mexican dollar, or peso, forms the principal export of Mexico. It is the equivalent of the old Spanish silver dollar. In many parts of the East it is the principal medium of exchange.
Guatemala . . .	,, ,,			S.S.	
Honduras . . .	,, ,,			S.S.	
,, British . .	U. S. and British gold coins			G.S.	
Salvador . . .	1 peso = 100 centavos			S.S.	
Nicaragua . . .	,, ,,			S.S.	
Costa Rica . . .	,, ,,			S.S.	
SOUTH AMERICA:					
Argentina . . .	1 peso = 100 centavos	1 peso = 3/11½ *			Most of the S. American States have the gold standard, but as they are all more or less under the *régime* of depreciated paper, their mint pars and gold points have no practical value. In Peru the peso is called a *sol*, and the centavos *centesimos*.
Bolivia . . .	,, ,,				
Brazil	1 milreis = 1000 reis	1 mil. = 2/0¾ *			
Chili	1 peso = 100 centavos	1 peso = 3/11½*			
Columbia . . .	,, ,,	,, ,,			
Ecuador . . .	,, ,,				
Peru	,, ,,				
Paraguay . . .	,, ,,				
Uruguay . . .	,, ,,				
Venezuela . . .	,, ,,				
ASIA:					
India and Brit. Burmah .	1 rupee = 16 annas = 64 pice	Fixed Rating		S.S.	A *lac* = 100,000 rupees; 100 lacs = 1 *crore* of rupees.
Ceylon, Mauritius . .		Rs15=£1			
Seychelles . . .	1 rupee = 100 cents	,, ,,		S.S.	
China	1 tael=10 mace=100 coudorin = 1000 cash or li	1 tael = 6/6½ *		S.S.	
Japan	1 yen = 100 sen	1 yen = 4/3¼ *		S.S.	
Hong Kong and Labuan	Mexican dollar, Brit. dollar or Hong Kong dollar			S.S.	
Shanghai . . .				S.S.	
Straits Settlements .	Straits dollar or British sovereign			S.S.	
B. North Borneo .	Mexican dollar			S.S.	

* Intrinsic value with standard silver at 60¾*d.* per oz. troy, *i.e.* at a ratio of Gold to Silver of 15½ to 1; but the actual value is, of course, the rate of exchange for the day, see p. 396.

† D.P.C. = Depreciated Paper Currency.

transaction, must be deducted. These charges would amount to about £15 12*s.* 9*d.*, leaving me a net profit of about £5 4*s.*, or ½ per cent. Arbitrage transactions do not as a rule involve so many cross exchanges, but are of a much simpler character. It is essential to confine the possibility of unfavourable turns in the exchanges within as narrow limits as possible, and besides, unless such operations are conducted between branch houses, the charges for commission seriously deplete the small profits realisable.

Formulæ for Exchange Calculations. To find the equivalent in sterling at a given rate of Exchange of a sum stated in foreign currency, *e.g.* the sterling equivalent of mks. 20,586.47 @ 20.40.

$$\text{Sterling amount} = \frac{20586.47}{20.40}$$

To find the equivalent in foreign currency at a given rate of Exchange of a sum expressed in sterling, *e.g.* the foreign equivalent of £586 10*s.* 9*d* @ frs. 25.30 = £1. The equivalent is £586 10*s.* 9*d.* × 25.30.

To find the par value of a sum expressed in the currency of one country in the currency of another, *e.g.*, the par value of mks. 1896 in francs. This is done by chain rule, examples of which have been given on pp. 390–392. In Chain Rule the first term states the question in the form of an equation, and the first term of each succeeding equation is the same denomination as the last term of the preceding equation, thus establishing a link with it. The last term of the final equation is the same denomination as that required by the question. When the equations are duly set out the product of the right hand amounts divided by the product of the left hand amounts gives the answer. Follow this description in the light of the examples given.

Multiplication and Division. These processes should be effected by the short methods explained below. To do this it will frequently be necessary to express shillings and pence as decimal parts of a £, and *vice versa*.

To express shillings and pence as the decimal part of a £—e.g.

Express 14*s.* 9¼*d.* as the decimal of a £.

14 × 50 = 700.

9¼*d.* = 37 farthings

Add 1 for each 25 = 38

Answer = 7·38

To express decimal parts of a £ in sterling, e.g., £.7386 in sterling. Ignore the last decimal, for .0006 = $\frac{6}{10000}$, and nothing less than $\frac{1}{960}$ of a £ = ¼*d.* can be expressed in sterling. We thus have .738.

73 ÷ 5 = 14 (and 3 over), call them shillings = 14*s.*
3 and 8 = 38, deduc tone for each 25 = 37
and call them farthings = $9\frac{1}{4}d.$
Ans. 14*s.* $9\frac{1}{4}d.$

These processes are so simple that the answers can be written down at sight without any intermediate figuring.

Contracted Multiplication. Reject all decimal figures in the multiplicand beyond the third figure (or fourth, if correctness to three places is required). Write the multiplier backwards, arranging the reversed figures under the multiplicand, so that the unit integer figure of the multiplier comes under the second decimal figure (or third, if correctness to three places is required) of the multiplicand. Add a cypher to the multiplicand for every figure of the multiplier to the right of the right hand figure of the multiplicand, *e.g.*

To multiply

8596.183 × 25.4	arrange as follows (omitting the decimal points)	8596 183 452
8596.183 × 625.4	,, ,,	8596 1830 4526
8596.183 × 2625.4	, ,,	8596 18300 45262

The process of multiplying can best be shown by an example. Take No. 1 above.

8596183
452
17192366 A
4298092 B
343847 C
218343.05

The first product A is obtained by multiplication in the ordinary way. The second product B is obtained as follows:

5 × 3 = 15 carry forward the nearest tens figure which is 2; 5 × 8 = 40, 40 + 2 = 42, set down 2 immediately under the figure 6 in the product A above, and carry forward the 4; 5 × 1 + 4 = 9, and so on, in the ordinary way.

The third product C is obtained as follows:

Ignore the multiplication of 4×3, and begin with $4 \times 8 = 32$. As before, carry forward the nearest ten $= 3$; $4 \times 1 + 3 = 7$: write the 7 under the 2 in the product B, and then proceed as before in the ordinary way. Sum the products A, B, and C and then cut off 2 places of decimals (or three if the working has been arranged for correctness to three places).

Contracted Division. Correct to two places of decimals, *e.g.* Divide

87.39565 by 24.615 correct to two places.

24,6,1/5)87395.65(3.55
1354
123

First find out how many figures the Quotient will contain—in this case *three*. Then cut off from the Divisor, counting from the left, one more than the number of quotient figures—in this case *four*. If correctness to three places were required, *five* figures would have to be cut off. Then divide the dividend by the diminished divisor (2461) as follows: 2461 into 8739 goes 3 times; 3×5 (divisor figure struck off) $= 15$, carry forward the nearest ten $= 2$; $3 \times 1 + 2$ (the nearest ten) $= 5$; 5 from $9 = 4$—write down 4 and carry nothing. $3 \times 6 = 18$; 18 from $23 = 5$, write down 5 and carry 2; $3 \times 4 = 12$, $12 + 2 = 14$, 14 from $17 = 3$, write down 3 and carry 1; $3 \times 2 = 6$, $6 + 1 = 7$, 7 from $8 = 1$. Write down 1 and you then have the first remainder, viz. 1354. Then instead of bringing down the next figure of the dividend, viz. 5, cut off another figure, viz. 1, from the divisor, and divide 1354 by the diminished divisor 246; 246 into 1354 goes 5 times. 5×1 (the divisor figure cut off) $= 5$ carry forward the nearest ten $= 1$. $5 \times 6 = 30$, $30 + 1$ (the nearest ten carried), $= 31$, 31 from $34 = 3$, write down 3 as the first figure of the second remainder and continue the operation as before till the whole of the second remainder (123) is obtained. Then cut off another figure from the divisor, and divide the second remainder (123) by the diminished divisor (24), and get the third remainder (which is 0) in the same way as you obtained the second. Then cut off two decimal places in the quotient and you have the answer, viz. 3.55.

EXERCISE II. Divide 849736.545 by 25.65 correct to three places of decimals.

```
25,6,5)849736.545(331.281
      8023
       3286
        721
        208
          3
```

In this case there will be six figures in the quotient and therefore, as explained above, seven figures must be cut off from the divisor. But as there are only 4 figures in the divisor this cannot be done. Proceed therefore in the ordinary way, viz. 2565 into 8497, which goes three times; $3 \times 5 = 15$, $15 + 2 = 17$, write down 2 and carry 1 and so on, till you get the full remainder, 802. Then bring down 3, the next figure from the dividend, and divide 8023 by 2565 as before, and you will get a remainder of 328. Bring down the next figure from the dividend, viz. 6, and divide 3286 by 2565 as before, and you get a remainder of 721. You now have three more figures to obtain for the quotient and you have 4 figures in the divisor, *i.e.* one more in the divisor than you require in the quotient. As soon as this point is reached, cut off one figure as in the previous example. In this case you cut off the figure 5, and divide 721 by 256, and so on, in the manner already shown.

TEST PAPER XXVIII

1. What is the difference between Bank Bills and Trade Bills and the result, as regards discount, of buying one or the other?
2. The price of silver is quoted 1*s.* 11*d.* per oz. Find the par with India.
3. Explain the following: Rebate on bills; Noting a bill; Finance, and India Council Bills; Mint Par of Exchange.
4. Name the principal Exchange Centres.
5. Why do the European Exchanges generally rise and fall together?
6. Give the approximate gold points of the principal Gold Exchanges.
7. Find the Mint Par of Exchange between England and Germany.
8. The following announcement appears in a daily paper, "Out of 40 lakhs of rupees offered to-day by the India Council only about 2 lakhs were allotted in bills @ 1*s.* $3\frac{29}{32}d$." What does this mean?
9. What facts would a merchant in England have to take into account when he wanted to place money in a foreign city, and when he wanted to have it sent him from abroad?
10. State briefly how export trade is financed.
11. Comment on the following, "Low rates are against us and high rates are for us."

12. Give the names of the principal countries where, in the London Course of Exchange, the quotation is in pence and not in foreign currency.

13. Show how it is possible to make a profit on an Exchange transaction when sight rate on London in Paris is 25.24 and cheque rate on Paris in London is 25.19.

14. Why is the Rate of Exchange on London so eagerly watched abroad ?

15. How could you find the Mint Par of Exchange between London and New York ?

16. On what is the allowance for interest based in the Long Exchange in the case of commercial bank bills ?

17. What do you understand by arbitrage in Foreign Exchange dealings ?

18. What effect has a loan here to a Foreign Government on the Exchange in London ?

19. Explain, with examples, what is meant by the Mint Par of Exchange.

20. Explain the following : Amsterdam and Rotterdam, short, 12.1$\frac{3}{8}$ to 12.1$\frac{7}{8}$, ditto, 3 mos., 12.3$\frac{1}{4}$ to 12.3$\frac{3}{4}$; Berlin and German Bank Places ditto, 20.57 to 20.61 ; Paris Cheques, 25.20 to 25.25, ditto, 3 mos. 25.30 to 25.35 ; St. Petersburg, 3 mos. 24$\frac{1}{16}$ to 24$\frac{5}{16}$.

21. A Merchant in Paris has exported goods to London valued at £1000. What difference does it make to him whether the exchange on London is 25.20 or 25.30 ?

22. Explain briefly, with illustrations, the position of a depreciated paper currency in the Foreign Exchange.

23. If silver is 2*s.* 6*d.* per oz. in London, how would you find the exchange on India ?

24. What are known as "gold points" in Foreign Exchanges ? Give examples.

25. In the Long Exchange what are the principal facts to be taken into account when purchasing a foreign bill ?

26. If sight rate in London on Paris is 25.28$\frac{3}{4}$ and bank rate in Paris 3%, what would be the rate for a three months' bill on Paris ?

27. Name the principal silver exchanges and state the effect on the Indian Exchange of the sale of India Council drafts.

28. "London is the banking clearing house of the world." Explain the meaning of this and its effect on the exchange on London, with examples.

29. Britain imports more than she exports. Why is it unnecessary to pay for the balance in gold ?

30. How are the rates of Exchange quoted in the London Course of Exchange ? Can you suggest any better way ?

31. Bills of Exchange on London are said to form an International Currency. Explain this.

32. What is meant by Arbitration of Exchange ?

33. Discuss the relation between the price of money and Stock Exchange values.

34. In the case of a loan to a Foreign Government, what is the effect on the Foreign Exchanges (*a*) when the loan is being remitted ; (*b*) when the interest falls due or the principal is being repaid ?

35. In what respects and to whom is a rising Exchange favourable ? Is it unfavourable to any one ? If so, to whom ? Do you consider this use of the term "favourable" to be tainted with "mercantilism" ?

36. Enumerate the chief causes of fluctuation in the Foreign Exchanges. How can borrowing correct an adverse exchange ?

CHAPTER XX

JOINT STOCK COMPANIES; SHARES, STOCK AND DEBENTURES

Joint Stock Companies

Definition. A Joint Stock or Incorporated Company consists of a number of persons united for specific purposes, under Royal or Parliamentary sanction, so that they form a corporate body, *i.e.* a legal entity, capable of holding property and contracting debts. A company exists quite apart from the members composing it, and the debts of a company are in no sense the debts of its members.

How Formed. Companies may be incorporated (1) by Act of Parliament as, *e.g.* in the case of a Railway, (2) by Royal Charter, *e.g.* The Royal Mail Steam Packet Company, (3) by the registration of a deed, called a Memorandum of Association, with the Registrar of Joint Stock Companies (an official appointed under the Joint Stock Companies Acts). The majority of companies are incorporated by (3) Registration.

Advantages. The main feature which has promoted the growth of Joint Stock Companies is that of limited liability. If the memorandum of association states that "the liability of the members is limited," no member of the company can be called upon to contribute any sum beyond the face value of the actual shares he agrees to take, *i.e.* when he has paid the full nominal value of those shares he is relieved of all further liability * and should the company fail, no matter how severely, he cannot lose more than he originally contributed or agreed to contribute. In a Partnership, on the other hand, the liability of all the members is unlimited, and each partner is responsible for the whole of the partnership debts. A second

* Except in the case of a bank issuing notes, when the liability of the shareholders in respect of the notes issued is unlimited.

attractive feature is that the ratio of profits to capital in the case of Joint Stock Companies wisely managed, is fully equal to that of private trading concerns. Hence a shareholder in a limited company may secure a far larger return on his capital than ordinary interest rate, without the personal exertion necessary in private trading. A third attractive feature is the ease with which the rights and liabilities acquired by a shareholder in a Joint Stock Company may be transferred.

Companies Limited by Guarantee. The members of a company may, instead of being limited by shares, be limited by guarantee. In the case of companies limited by guarantee each member undertakes to contribute a certain sum to the assets of the company in case it is wound up during his membership or within a year afterwards, and is liable for no greater amount. A company limited by guarantee may, or may not, also have a capital divided into shares. Companies limited by guarantee are generally not trading companies, and they form a very small proportion of joint stock companies.

Unlimited Companies. Not all joint stock companies enjoy the advantage of limited liability. Some are registered with unlimited liability, and shareholders are in much the same position as the members of an ordinary partnership. Unlimited companies are, however, uncommon.

Limitations of Private Partnerships. Under the Companies Consolidated Act, 1908, no private partnership of more than ten persons can be formed to carry on banking, and no partnership of more than twenty persons to carry on any other business, having for its object the making of profit, unless it be registered as a company. Companies working under Letters Patent or a special Act of Parliament, and mining companies within the stannaries (Cornish tin mines), are not, however, subject to this rule.

Who may form a Company. Any seven persons may combine to form and register a company under the Companies Act, and in the case of a special class of limited companies, styled private companies, two persons are sufficient.

Public and Private Companies. A public company is one which makes a public issue of its shares. A private company is defined in the Companies Consolidation Act, 1908, as a company which by its Articles of Association (1) restricts the right to transfer shares, (2) limits the number of its members to fifty, (3) prohibits any invita-

tion to the public to subscribe for any shares or debentures of the company. This kind of company is common in the case of family businesses, as it enables a testator whose capital is sunk in the business to divide his estate without disturbing the financial arrangements of the business. A private company is not compelled annually to file a balance sheet, which, under the Companies Act, a public company must do. The capital of a private company is sometimes held almost entirely by one person. The company is then termed a *One Man Company*.

Memorandum of Association. This is a document containing certain prescribed provisions signed by the original members of a company at the date of its incorporation, and registered with the Registrar of Joint Stock Companies. If the company is limited by shares the memorandum contains (1) the name of the company with the word "Limited" at the end, (2) the part of the United Kingdom where its registered offices are, (3) the objects for which the company is formed, (4) a statement that the liability is limited, (5) a statement of the authorised capital. A company cannot exceed the powers taken in the memorandum. Hence it is usual to draft the objects clause as wide as possible, so that it may cover any business which the company may conceivably desire to carry on.

Articles of Association. These contain the regulations agreed upon by the signatories which shall govern the internal management of the company. A company may adopt its own articles, and alter them at any time by special resolution. In the absence of "special" articles the regulations annexed to the Companies Consolidation Act 1908, known as Table A, govern the internal management of the company. The signatories are the original subscribers, the seven or the two persons mentioned in p. 416, who must each subscribe not less than one share.

The Capital. The Memorandum of Association contains a statement of the amount of the company's capital, and also particulars of the number and character of the separate fractions or shares into which it is divided, *e.g.*, "The Company's capital shall be £20,000, divided into 20,000 ordinary shares of £1 each." The amount of the capital so fixed is called the *Authorised Capital*, or simply the *share capital*, and it is on the amount of *authorised*, *nominal* or *registered share capital* that the stamp duty of 5/- per £100 of capital must be paid on the registration of the company.

Frequently the Authorised Capital is not wholly subscribed by the public, and sometimes it is not wholly issued to the public for subscription. The amount of the Authorised Capital issued to the public and the vendors, is termed the *Issued Capital.* Any part of the authorised capital not so issued is termed *Unissued Capital.* That portion of the issued capital which is subscribed or taken up is termed the *Subscribed Capital.* Usually the directors of a company do not ask that all the capital issued and subscribed shall be paid up at once, but direct that a portion of each share shall be paid on application, a further portion on allotment, and other portions in a series of calls at later dates. The portion of the shares so called up by the directors on shares allotted is termed *Called up Capital;* the balance remaining at call, the *Uncalled Capital.* The actual money received on shares allotted is termed the *Paid Up Capital.* The initial *Working* or *Circulating Capital* of the Company is the amount of money remaining in the hands of a company after all expenses incidental to the establishment of the company and the purchase of its fixed assets have been met, together with the surplus of any floating assets that may have been acquired over liability to creditors.

The Assets of Company. A company's assets are of two kinds: (1) *Floating* or *Circulating Assets;* (2) *Fixed Assets.* Of the latter, some are termed *Wasting Assets*, and to the extent that they are wasting it appears to be a misnomer to call them Fixed. Taking a railway company by way of example, the permanent way and rolling stock are Fixed Assets, *i.e.* they have been acquired for use, not for conversion into cash, and by their means the business of transport is carried on. Cash in hand, the outstanding book debts, temporary investments, stocks of stores, &c., are Floating Assets, seeing that they will sooner or later be converted into cash (Cash in Hand is Floating Assets already realised). Floating Assets must for balancing purposes be entered at their *probable* value on realisation, not their *book* value (where they have *appreciated* in value they would be entered at their book value). Fixed Assets are taken into account at their cost price, less an annual sum written off for depreciation, so that at the end of the "life" of the asset its residual value alone remains on the books. Fixed Assets, such as, *e.g.* a leasehold, whose value depreciates as the outstanding term of the lease grows less, and those subject to wear and tear, *e.g.* machinery, are termed Wasting Assets. From a legal point of

view it is difficult to determine precisely what are Fixed and what Floating Assets. The Floating or Circulating Assets, so far as they are available, form the Working or Circulating Capital of a Company.

Watered Capital. Sometimes a Company, taking over an existing business, pays a far heavier price for the goodwill than ordinary prudence would approve, the major part of the capital being represented by this intangible asset. The capital is then said to be Watered or Inflated, the probability being that dividends, if earned at all, will be small. Another instance of "Watered" Capital is where a highly successful company issues bonus shares to its shareholders, one or more for each share held, the effect of which is to reduce the dividend and premium on the shares, while it leaves the return to the original shareholders unaffected.

Company Promoters. The person or persons who promote or form a Public Joint Stock Company, and establish it as a going concern, are termed *Promoters*. Company promoting is a business in itself, and promoters are a class of persons skilled in dealing with the preliminaries necessary to the formation of a company, and possessing intimate knowledge of the investing public. A promoter stands in a fiduciary position to the Company he promotes, and must not derive any personal gain from the work of promotion without disclosing the fact to independent representatives of the Company; also to the public, if the public are asked to subscribe part of the capital.

The Prospectus. The instrument used for raising capital from the public is called the *Prospectus*, the framing of which is very often a matter of nice calculation. The Prospectus can only be issued by the authority of the directors, all of whom sign it, and a copy must be lodged, before issue, with the Registrar of Joint Stock Companies. The law enacts that the Prospectus must contain certain information, which it is scarcely necessary to indicate here other than by the general statement that the facts insisted upon are such as will enable the public to form a fair judgment of the Company's prospects, and the value of its shares considered as an investment. The student may easily familiarise himself with the nature and scope of these documents, as one or more examples (somewhat abbreviated) are to be found daily in the leading newspapers. When a new public company does not issue a Prospectus it must lodge with the Registrar a *Statement in lieu of Prospectus*. It may be men-

tioned here, that one of the reasons for dividing the shares of a company into different classes offering varying degrees of security and varying degrees of interest or dividend is to appeal to all classes of investors, some of whom are ready to assume extra risks for the prospect of increased gain, while others, setting greater value on security, are content with a lower rate of return. Most promoters keep lists containing the names and addresses (derived from lists of shareholders in public companies) of hundreds of thousands of investors at home and abroad, and by distributing the prospectus amongst these persons, and advertising it in public prints, and by other means, contrive to get the public to apply for the shares.

Underwriters. Sometimes whole blocks of a new issue of shares will be taken up by a financial agent or group of agents, or by a bank or Insurance Company. This is called underwriting the shares. The underwriters guarantee subscribers for the shares, and for this service receive a commission on the nominal amount of the shares they underwrite. If subscribers do not come forward they must themselves hold the shares. The amount of the commission paid for underwriting must be disclosed in the prospectus. Underwriting Agreements are stamped with a *6d.* stamp.

Directors. Partnership depends essentially on mutual confidence between the partners, and each partner is decreed to have equal rights with every other partner in relation to the business and its management. But there is no relationship of confidence between the members of a company, and therefore they have no right to interfere in the management. Besides it will be clear that all the shareholders, sometimes aggregating many thousands, could not possibly be allowed a hand in the management of the company. The management is accordingly delegated by the shareholders to a number of persons termed Directors, who form themselves into a Board of Control, and appoint such officials as may be necessary for the proper control of the business. As a rule, the Directors are persons possessing skilled knowledge of the business transacted by the company, but sometimes they are prominent but simple-minded persons who have been induced by astute promoters to lend their names to the company for advertisement purposes; while at others they are impecunious men with a distaste for work, acting in collusion with the promoters, and obtaining a few guineas as their share of the highly questionable proceedings. Generally the Directors must qualify for the position by holding a stated number

of shares. They are remunerated by fees, the Chairman usually taking a higher fee than his co-directors, and they are either permanent directors or retire at stated intervals, and are then re-elected or others elected to their places. The names, descriptions, and addresses of the Directors, with all particulars as to qualifications, fees, &c., must be shown in the prospectus. Although the Directors sign the Memorandum and Articles on the registration of a company they are confirmed in their position by the shareholders at the first statutory meeting after allotment.

Letters of Application, Letters of Allotment, Letters of Regret, Call Notices. The prospectus is accompanied by a printed letter of stereotyped form, termed a *Letter of Application*. An intending shareholder fills up the form, states the number of shares he is willing to take, and sends it, with the amount required per share on application, to the Company's bankers, or to the Registered Offices of the Company. This application form, properly filled up, is an offer to the company, which may be revoked at any time prior to allotment. *The Letter of Allotment* posted by the company to the applicant is the company's acceptance of the applicant's offer, and the contract is completed as soon as it is posted. The Letter of Allotment may assign a smaller number of shares than was applied for, but any other variation from the terms of the Letter of Application is not an acceptance, but a counter offer which the applicant may accept or reject at discretion. The Memorandum or Articles of Association fixes a minimum cash subscription, stated in the prospectus, on which the Directors will go to allotment, and, if the minimum number of shares is not applied for, the Directors must not proceed to allotment, but return all moneys received to the applicants. The Directors have perfect discretion as to whom they shall allot shares and the quantity, and where they do not allot any shares to a particular applicant he receives a formal letter, termed a *Letter of Regret*, and a cheque for the amount paid in respect of his application. Where the number of shares allotted is smaller than the number applied for, the excess sum remitted on application is generally held against the sum due from the applicant on allotment. *A Call Notice* is a formal document used by a company for calling up an instalment of, or the whole of, the balance due on partly paid shares. The nature of all four kinds of documents will easily be gathered from the specimens at the end of the chapter. Letters of Allotment for an amount of less than £5

must be stamped with an embossed 1*d.* stamp. Over £5 the stamp duty is 6*d.*

Forfeited Shares. It may happen that a person who has subscribed for and been allotted shares in a company makes default when a Call is made upon him. In that case he forfeits his shares, and ceases to be a member of the company, and the money already paid in respect of the shares becomes the property of the company. The company may, notwithstanding the forfeiture, proceed against the defaulter to recover the amount due, and may re-issue the shares to any other person who is willing to pay the outstanding calls or such larger sum as may be agreed upon. The liability of a defaulting shareholder in respect of his default exists for a period of twenty years, but it is cancelled as soon as the company shall have re-issued the shares, and received the full nominal value of them. The procedure regarding the forfeiture of shares is set forth in the Articles of Association, and must be strictly followed, otherwise the Courts may hold the forfeiture to be illegal.

A Company's Books. A Joint Stock Company must, under the Act of 1908, keep the following books: (1) a Share Register of Members; (2) a Register of Directors; (3) a Register of Mortgages and Charges upon the Company's Property; (4) a Minute Book. In addition to which, Annual Returns and Summaries containing, amongst other information, the names, addresses and holdings of the shareholders, must be made up to a date fourteen days after the first annual meeting in each year, and sent to the Registrar within seven days. For administrative purposes various statistical books are kept, amongst others a Directors' Attendance Book, Transfer Register, Agenda Book, &c. A specimen page of a Share Register, and also of a Transfer Register are appended. With regard to the Share Register it should be noted that separate registers are kept for each class of shares, and also for Debentures. The Register of Members must, except when closed for preparing the dividend list, be kept open for inspection by members free of charge, and by the general public on payment of a fee of 1s., and any person may obtain a copy of the Annual Summary at the office of the Company, on payment of a small fee to cover the cost of copying.

Preliminary and Flotation Expenses. These are the expenses incidental to the formation of a new company, and comprise payments for:

(1) Legal fees, stamp duty paid upon incorporation, and the transfer of the property from the vendor to the company.
(2) Cost of printing and circulating the Prospectus, Allotment Letters, with stamps, Call Notices, &c., and advertising.
(3) Commission paid to underwriters of Shares or Debentures.
(4) Brokerage paid to stockbrokers for introducing applicants for Shares.
(5) Cost of Share Certificates, Debenture ditto, &c.

These preliminary expenses are written off to Profit and Loss account during the first few years of the company's life.

Annual Meetings. Joint stock companies, incorporated under the Act of 1908, must hold annual meetings of members, at which audited accounts are presented for consideration. Dividends are declared at these meetings, but dividends can only be declared out of profits. If the profits are ample the directors have the power to declare, usually at a period of six months after the holding of the last annual meeting, what are known as *Interim Dividends.* The student may have seen in the public press a dividend announcement to the effect that a particular company has declared, say, a dividend for the half year of 10 per cent., making with the interim dividend of 5 per cent., $7\frac{1}{2}$ per cent. for the year.

Winding Up. When a company from any cause is unable to continue its operations, a person called a *Liquidator* is appointed to wind up the company, pay, if possible, its creditors, and return to the shareholders any capital that may remain. This Liquidator is appointed, either by the High Court or the County Court in a compulsory winding-up, and by the company in the case of a voluntary winding-up. If mortgage Debentures have been created, the holders are entitled to apply to the High Court for the appointment of a receiver, who is most usually a professional accountant. The receiver takes possession of the property charged upon the Debentures by the trust deed creating them, and until the claims of the Debenture-holders are satisfied the Liquidator can do nothing. Frequently the Liquidator and Receiver are the same person, and this arrangement is deemed the best. A Compulsory Liquidator must prepare his accounts in accordance with complicated official regulations, but a voluntary Liquidator may present them much according to his own practice. When a voluntary winding-up is completed the Liquidator draws up a kind of cash statement showing the results of the winding-up.

Shares, Stock, Debentures

Holdings in a Limited Liability Company may consist of (1) Shares; (2) Stock; (3) Debentures.

Shares may be (a) *Ordinary*, (b) *Preference*, (c) *Cumulative Preference*, (d) *Deferred*, (e) *Founders'* or *Management*.

Stock may be (a) *Ordinary*, (b) *Preference*, (c) *Guaranteed*, (d) *Debenture*.

Debentures may be (a) *Debentures issued on a mere promise to pay*, (b) *Mortgage Debentures*, or as they are termed in the United States, *Mortgage Bonds*.

Shares. A Share is the unit of the capital contributed by the members of a company, the ownership of which determines the rights and obligations of the holder to the company and its creditors. Shares can only be transferred in multiples of the unit in which the capital is divided. A holder of shares has for evidence of his holding a *Share Certificate*, given under the common seal of the company, setting forth particulars of his holding, which particulars are recorded in the Shareholders' Register kept by the company. Shares may be *fully paid* or *partly paid*—*e.g.*, a new company might offer its capital for subscription in £1 shares, payable 2*s.* 6*d.* on application, 5*s.* on allotment, 5*s.* on a specified date, and the balance of 7*s.* 6*d.* as required. If the balance of 7*s.* 6*d.* were not called up, a holder of shares would be a holder of so many £1 shares, 12*s.* 6*d.* part paid, with a contingent liability of 7*s.* 6*d.* on each share. The shares of banks and insurance companies are usually part paid, and as, generally speaking, the denomination of the shares is high—*e.g.*, £10, £20, £80, £100—there is usually a large contingent liability upon them. But many banks have taken advantage of the Companies Act, 1879, and by special resolution declared that the uncalled capital shall only be called in the event of winding-up.

Ordinary Shares are those taking the surplus profits after all preferential rights have been satisfied. If there are deferred interests, ordinary shares usually take a fixed percentage of the profits before the deferred interests participate. In America ordinary shares are designated *Common Shares*. If the capital of a company consisted solely of Ordinary Shares, the net profits, subject to any appropriation for building up a reserve, &c., would

be equally distributed amongst the shareholders, at a uniform rate of so much per cent. on each share.

Preference Shares are those which participate in a stated share of the profits before other shares are entitled to participate. The preference may exist in respect of dividend or capital or both. Suppose the case of 6 per cent. Preference Shares, carrying preference both in respect of dividend and capital. Then in any particular year, if sufficient net profits were realised, 6 per cent. must be paid on these shares before any other classes of shares can participate at all. In the event of winding-up, assuming a return of capital can be made, the capital represented by these shares must be returned to the shareholders before the other classes of shareholders receive a return of their capital. In the absence of a clear expression to the contrary Shares preferential as to dividend are Cumulative.

Cumulative Preference Shares. These shares differ from Non-cumulative or Ordinary Preference Shares in that, should the fixed percentage or any portion of it not be paid in any year, the arrears must be carried forward and paid before other Shares are entitled to any dividend. Unpaid Cum. Preference dividends are a contingent liability on the company, and as such are shown on the balance sheet. Strictly, such arrears are not contingent liabilities, as the right to dividend depends upon profits being made, and also upon the declaration of a dividend by the directors, who may, if they think fit, appropriate the whole balance of profit to reserve.

Deferred Shares. Ordinary shares are sometimes sub-divided into Preferred Ordinary and Deferred Ordinary. These bear much the same relation, one to the other, as Non-cumulative Preference Shares bear to Ordinary Shares—*i.e.* Deferred shareholders do not get any dividend till a fixed rate of dividend has been paid to the Preferred Ordinary shareholders. But after the Deferred shareholders have received their agreed rate of dividend, the Preferred Ordinary shareholders, subject to deferred interests (Founders Shares), participate in the surplus.

Founders' or Management Shares. These are very limited in number, and are usually issued to promoters, or founders, or underwriters of shares. This class of share only participates in the profits after all the other classes of shares have received fixed rates of dividend. They are frequently worthless, but when, through

skilful management, the profits of a company increase year by year, they become very valuable, as after prior interests have been satisfied they are entitled to all or a considerable percentage of the surplus profits.

Share Warrants. Where a company is so empowered by its articles, as originally framed or as altered by special resolution, it may, instead of Share Certificates, issue Share Warrants to bearer which are transferable by delivery. Share Warrants are stamped (embossed) to three times the *ad valorem* transfer duty on the nominal amount of the shares they represent. The holder's name is not entered in the Share Register of the Company, but he may at any time surrender his Warrant for registered share certificates.

Stock. The capital of a Company formed under the Companies Acts is always divided into shares, but where a company's articles, either as originally framed or altered by special resolution, permit it, fully paid up shares may be converted into Stock, each holder of shares receiving an equivalent amount of stock. In cases where the capital of a Company or a loan to a Company is in one sum, which, for purposes of transfer, is divided into amounts denoted, like Shares, by their nominal value, it is called Stock. The great advantage of Stock over Shares is that it may be transferred (bought and sold) in fractional parts. Thus, a person might be the owner of £110 10*s.* 6*d.* of Consols, but in the case of £5 shares he must own so many whole shares, so many multiples of £5. Similarly with shares of any other denomination. But sometimes the Articles of Association or Act of Parliament authorising the issue of Stock restrict transfers to multiples of some round sum, *e.g.*, £1, £10, £50, &c. Stock Certificates to Bearer are embossed with a stamp equal to three times the *ad valorem* duty chargeable on a transfer for a consideration of the nominal value of the stock.

The different classes of Stock will be readily understood from the enumeration given below of the various divisions of the capital of the London and North Western Railway Co., and the rates and amounts of interest or dividend paid thereon for the year under review:

Name of Stock	Amount	Rate	Amount paid
1. Debenture Stock	£39,000,000	3%	£1,170,000
2. Guaranteed Stock	£15,000,000	4%	£600,000
3. Preference Stock	£23,000,000	4%	£920,000
4. ,, ,,	£3,000,000	4%	£120,000
5. Consolidated Ordinary	£43,000,000	6⅜%	£2,740,000
Aggregate Interest and Dividend paid			£5,550,000

(1) **Debenture Stock.** Holders of this Stock have in support of their holding the whole earning power of the Railway, and priority of security on the general undertaking. Naturally, the rate of interest is lower than that on the other classes of Stock because the security is greater.

(2) **Guaranteed Stock.** The title is somewhat misleading. "Guaranteed" here does not mean that the Stock is supported by Government, or by some outside corporation who is responsible for the due payment of the interest. It does, in the case of some securities, mean this, but here it means simply that the Stock is a 4 per cent. Cumulative Preference Stock, with a prior right to interest over all the other classes of Stock, except the Debenture Stock, and a priority in respect of the return of capital. In other words, that it ranks next in order of security to the Debenture Stock. It will be observed that the company might lose the whole of the profits necessary for the interest on dividends in respect of Stocks (3) (4) and (5), and yet be in a position to pay the interest on this Stock. The security is therefore ample, but not being quite so good as that of the Debenture Stock the interest is a little higher, viz., 4 per cent.

(3) **Preference Stock.** This ranks next in order of security and payment of interest to the Guaranteed Stock. Here again the security is ample, and the rate, 4 per cent.

(4) **Preference Stock** (of 1902). This is a Preference Stock created at a later date than class (3), and ranks next to class (3) in security and payment of interest.

(5) **Consolidated Ordinary Stock.** The dividend on this Stock, being subject to the full vicissitudes attending the working of the line, is variable in amount. It is a more speculative investment than any of the other Stocks, and the rate for the year reviewed, viz., 6⅜ per cent., was fittingly higher. But had the working of the line proved less satisfactory, there would have been a corresponding drop in the rate of dividend. It is called *Consolidated Stock*, because it is an amalgamation of the same kind of Stock issued at different stages in the company's career. In the United States such stock is termed *Common Stock*.

Debentures. Ordinarily a Debenture is a bond, given in exchange for money lent, by which the company agrees to repay the principal to the lender at some future time, and in the meantime to pay a stated rate of interest for its use. A Debenture may be either

(1) a simple promise to pay or (2) a promise to pay, secured by a mortgage or charge upon the whole or part of a company's assets. Debentures of the latter class are termed Mortgage Debentures, or Mortgage Bonds. The property constituting the security is vested in Trustees, and held by them for the Debenture-holders, who become the virtual owners of the property, and no dealing with it, or change in its constitution, can be effected without their consent. In other cases Debentures are secured by a floating charge or General Lien upon the undertaking of a company, which General Lien, however, does not preclude the company from dealing with its assets, if it be necessary in the interests of the business generally. Hence while these assets may be increased in value by wise management they may be decreased in value by bad management. The usual course adopted by companies is to give a specific charge over the immovable assets, and a floating charge over the movable assets. The practice of any given company is determined by the Memorandum of Association, which governs the company's borrowing powers. In some companies the borrowing powers are strictly limited. Duty is payable at the rate of 2/6 per £100 on the amount of all loan capital proposed to be secured by a debenture issue.

A Debenture-holder is a *creditor* of the Company, and, even if he is unsecured, always ranks for payment in full before shareholders of any class. The interest payable upon Debentures is a *charge* upon the Company, which must be met whether profit is made or not, whereas a dividend on shares is an *appropriation of profits*.

The Share Capital is the *proprietors'* capital; Debenture Capital is money *borrowed on security*.

Debenture Bonds are usually issued for round sums, £50, £100, £200, &c. A Company sometimes issues more than one series of Debentures, termed successively, First, Second and Third, or A, B and C Debentures. These rank in security according to priority of issue. In the event of liquidation the first, or A debenture-holders, must be satisfied before the second or B debenture-holders, and the second or B debenture-holders before the third or C debenture-holders. Debenture Stock is one issue, or a series of issues consolidated, each stock-holder receiving an amount of the Stock proportional to his original holding. Debenture Stock possesses the same advantage of greater transferability over Deben-

ture Bonds as Stock over Shares, *i.e.* Debenture Stock may be transferred in fractions, whereas Bonds must be transferred entire.

Redeemable and Irredeemable Debentures. Where a Company issues Debentures, which they are at liberty to pay off, on or after a certain date, they are termed Redeemable Debentures. Provision is made for this redemption by setting aside and accumulating, at interest, a portion of the annual profits. The issue is either paid off all at once, or a number of Debentures are drawn annually by lot—the redemption of the issue proceeding by stages. Sometimes one series of Debentures is paid off by utilising the proceeds derived from a new issue of Debentures. Debentures that cannot be paid off and cancelled are termed Irredeemable or Perpetual Debentures. These where the security is good are a much sought after investment, but mortgage Debentures that have only a short period to run are not greatly esteemed, as when redeemed, the former holders have the trouble, sometimes attended with loss, of finding a new investment.

Interest or Dividend? Where the return upon an investment is a variable return, dependent upon the amount of net profits available for division, the return is termed a *Dividend*. Where the return is fixed, it is appropriately termed *Interest*. Thus the return on L. & N.W. Debenture Stock is Interest; the return on the Consolidated Ordinary Stock, Dividend.

Terms of Issue. Shares may be issued for cash, or for payment in kind. An instance of the latter occurs when the vendors to the Company take the whole or part of the purchase price in fully paid shares. In such cases an agreement is entered into between the vendors and the Company, and lodged with the Registrar of Joint Stock Companies within thirty days of the shares being allotted to the vendor. Shares may not be issued at a *discount*, but they may be issued either at *par* or at a *premium*. They are issued at *par*, when the actual money paid or payable for the share is the actual nominal value of the share. It makes no difference that usually payment is spread over a period of time, or that part of the share may never be called up. Shares are issued at a *premium*, when the actual money paid or payable for the share is more than the nominal value of the share. In the case of flourishing companies returning an increasing dividend, the quotation of the shares on the Stock Exchange—their market value—will generally be in

advance of their nominal value. Hence, if the directors of such a company proceeded to a new issue of shares, they would issue them at a slightly lower premium than that disclosed by the market quotation, *e.g.*, if the existing shares were £5 shares and quoted at a premium of 25/-, making the cost of each £5 share £6 5*s.*, the new issue might be offered at a premium of 22/6, or £6 2*s.* 6*d.* per £5 share. Premiums received on shares by a Company are not usually regarded as profits, but are transferred to a special reserve account. This is the prudent course to adopt, but there does not appear to be any legal objection to the distribution of such premiums as profits.

Debentures may be issued (1) at *par*, (2) at a *discount*, or (3) at a *premium*. They are issued at *par*, when for each Debenture the full nominal value is to be paid, *e.g.*, when a £100 Debenture or £100 of Debenture Stock costs £100; they are issued at a *discount*, when, *e.g.*, a £100 Debenture is offered for £98, *i.e.* less than its nominal value, and at a *premium*, when, *e.g.* a £100 Debenture is issued at £102, *i.e.* more than its nominal value. Similarly, they are redeemable at par, if, *e.g.* for every £100 Debenture, the company must pay £100 to cancel it; and redeemable at a premium, if *e.g.* for every £100 Debenture the company must pay £102. Premiums received on an issue of Debentures are usually, as in the case of premiums received on shares, transferred to a special reserve account, and not treated as profit. Where they are issued at a discount the amount of the discount is written off by equal annual transfers to profit and loss account. The terms on which Debentures are issued are largely governed by the conditions of the money market at the time, and by the security offered.

Convertible Stock. Where Stock is termed *Convertible*, it means that the holder has the right of exchanging his holding of a particular Stock for another class of Stock in the same company. It might in some cases be advantageous to possess this right, as, *e.g.* where a person holds say 6 per cent. Preference Shares in a company, which has proved its stability and soundness by returning annually increased dividends on the Ordinary Stock till the dividend stands at a far higher figure than the 6 per cent. payable on the Preference Shares. But this exchange, of course, could only be effected at the expense of security.

Gold and Sterling Bonds. It has already been mentioned that Bond is the term used in the United States and other countries for

Mortgage Debentures. A Gold Bond signifies a Bond on which the interest due, and the proceeds on redemption, are expressed as payable in gold. A Sterling Bond is one on which the interest due and the proceeds on redemption are payable in British Currency. Investments in Foreign securities should be restricted to these classes of Bonds. Serious loss might fall to the holder of foreign Bonds—especially in countries suffering from the effects of a depreciated currency—if the interest or the proceeds on redemption were payable in the currency of the country issuing the Bonds The only difference between these two classes of Bonds is that in the former case the question of exchange arises—the money has to be remitted to the British holder; whereas in the latter case, the issues having been made in this country, the interest and capital are payable here in British gold. Where the interest and capital on a foreign bond are payable in the foreign currency it is known as a *Currency Bond*.

Securities. Shares, Stock, Debentures, &c., are generically termed Securities. Securities are *Registered*, *Inscribed*, or *Bearer* securities.

Registered Securities. These, as already explained (*see* p. 424), are securities recorded in the books of the issuing company, and for which the holders possess certificates. Such securities cannot be transferred by mere delivery. The certificates, with a short deed of transfer signed before witnesses both by the tranferor and transferee, and stamped (where not, as in the case of some stocks, exempted from stamp duty) in accordance with the scale of duty set forth on p. 436, must be lodged at the offices of the company, who, if everything is in order, will cancel the certificates standing in the name of the transferor, and issue fresh certificates, made out in the name of the transferee, at the same time effecting the necessary adjusting entries in their books. The usual fee charged by companies for registering a transfer is 2/6. A specimen form of transfer is appended. Dividends on Registered Securities are paid by cheques despatched to the registered holders by the companies issuing the securities. See also p. 432.

Inscribed Securities. With securities of this kind the title to ownership does not rest in the possession of *Scrip*, as Bonds, Stock and Share Certificates, &c., are loosely called, but in the inscription of the buyer's name in the books of the Bank, by whom the issue is managed. A person who buys, *e.g.* £100 of inscribed stock

receives from the broker, through whom he buys, a *Stock Receipt*, which however possesses no negotiable value. He with the broker attends at the bank where the stock is inscribed, and signs his name in the register, as accepting the transfer. This plan has proved somewhat inconvenient, and now a buyer of Inscribed Stock managed by the Bank of England (the practice of other banks is now similar) may attend alone at the Chief Accountant's Department, pay a fee of 1/-, and leave the Stock Receipt, which in a day or two will be returned with a printed memorandum on its face, signed by the Chief Accountant, to the effect that the Stock to which the receipt relates was inscribed in the bank's books in the name of the buyer on such and such a date. If personal attendance be inconvenient the process of inscription can be effected through the post. Dividends on Inscribed Securities are usually paid by Warrants sent to the holders by the Bank managing the issue. See also p. 431.

Bearer Securities. When Shares or Stock are issued in the form of Share or Stock Warrants, or when Debentures are expressed as payable to Bearer, sale is effected by handing over the securities against cash. With this form of Securities a number of Interest or Dividend coupons are attached. These coupons, of which a specimen is shown on p. 446, are cut off, and paid into the bank on the due date, and collected by the banker in the same way as cheques. They are arranged like a sheet of postage stamps so that they can be cut off in the order in which they are payable. Where the coupons are insufficient to outlast the life of the bonds a *Talon* is attached presentation of which entitles the holder to a fresh supply of coupons. Securities of this kind are usually lodged by their holders with their bankers for safe custody. They are negotiable instruments, and therefore if they got into wrong hands the results to the rightful owner would be disastrous.

Scrip Certificates. It was stated on p. 431 that Bonds, Stock, and Share Certificates, &c., were loosely termed *Scrip*. Scrip certificates are really provisional documents issued by Companies, Corporations, or Governments, as evidence that the holders are entitled to Bonds, Stock or Shares when issued, and when all the instalments due in respect of them have been paid. These documents are given up against receipt of the actual Bonds, Stock or Share Certificates. If the Scrip entitles the holder or the company, at discretion or on a definite date, to substitute proportional amounts of other stock or shares for that to which the Scrip relates, it is

termed *Omnium Scrip*. The right to Securities may be transferred by Delivery of Scrip.

Classes of Securities. (1) British, Indian, Colonial, or Foreign Government Securities; (2) British Municipal Stocks; (3) Colonial and Foreign Corporation Stocks: (4) British, Indian, and Colonial Railway Stocks; (5) American and other Foreign Railway Stocks; (6) Banking and Insurance Companies: (7) Industrials, *e.g.* Breweries, Gas and Electric Lighting Cos., Iron, Coal and Steel Cos., Land, Mortgage and Financial Cos., Shipping, Tea, Coffee, and Rubber Cos., Tramway and Omnibus Cos., Trusts, Waterworks, and Mining Shares.

British Government Securities. The debt owing by the British Government, frequently referred to as "the Funds," payment of the interest on which is provided out of the national revenue, is divided into two classes, Funded debt and Unfunded debt. Funded debt is permanent debt, which the Government is under no obligation to pay off at any fixed time. It has been accumulated by borrowings for the prosecution of foreign wars, and has, despite large repayments from time to time, grown from £664,263 in 1688 to £659,848,294 in 1909, of which vast sum £38,009,337, represented terminable Annuities, *i.e.* Annuities granted to stockholders and others for life, or for a limited number of years, in exchange for their holdings in the permanent debt. As an illustration of a life annuity, take the case of a woman, aged 65 (these annuities are chiefly purchased on the lives of women), possessing, say, £500 worth of Consols (Consols is an abbreviation of the word "Consolidated"), the yearly interest on which at $2\frac{1}{2}$ per cent. would be £12 10*s*. She arranges to hand over the £500 worth of Stock, at the then market price, to the National Debt Commissioners, who in exchange would agree to pay her until death a yearly sum of about £40 18*s*. 4*d*. The Government is thereby released from the payment of the yearly interest on the nominal value of the Stock, and also from the liability of redemption, for at the person's death the £500 worth of stock would be cancelled. These terminable annuities are thus a means for the gradual extinction of the permanent debt.

The *chief* methods of reducing the Funded Debt exist in the form of Sinking Funds; (*a*) the old Sinking Fund, (*b*) the new Sinking Fund started in 1875. The old Sinking Fund consists of any realised surplus of the annual national income over the annual

national expenditure. The new Sinking Fund, or *Fixed Debt Charge*, is the definite sum yearly set aside for the payment of interest upon and redemption of the Debt. At present the amount is £28,000,000 a year, and of this amount very nearly £10,000,000 is used for redemption, the balance being the charge for interest and management. Funded Debt, as applied to Foreign Loans, means that the issue is charged upon some definite source of revenue, *e.g.* Lighthouse dues.

Besides the Funded or Permanent Debt there is the Unfunded Debt, consisting of borrowings for short periods, which must be paid off at specified dates. The currency of these short period loans varies from a few months to several years. On March 31, 1909, the Unfunded Debt stood at £42,839,602, as will be seen from the following summary:

NATIONAL DEBT, *March* 31, 1909.

Funded Debt.	£
Permanent 2½ % Consols . . .	573,739,142
„ 2¾ % „	4,112,366
2½ % „ (16 Vict.) .	30,341,580
Bank of England Debt	11,015,100
„ „ Ireland „	2,630,769
	621,838,957
Terminable Annuities (various) . .	38,009,337
	659,848,294

Unfunded Debt.	£
6 Mths. Treasury Bills	14,500,000
War Stock and War Bonds 2¾ %, repayable 1910	21,339,602
Exchequer Bonds, 2¾ % repayable by Annual drawings of £1,000,000 . .	7,000,000
	42,839,602

Treasury Bills are Bills payable at three, six or twelve months date, issued by the Treasury and sold by tender, in order to raise funds temporarily for Government purposes. They bear no interest, but are issued at a discount. The Treasury also issue *Exchequer Bonds* for the same purpose. These Bonds are payable to bearer, carry interest at a stated rate, and are repayable at fixed dates. The issue of *Exchequer Bills* has been discontinued, Treasury Bills taking their place.

Examples of other Classes of Securities:

New Zealand 4 %=Colonial Government Security.
Chinese Imperial Rly. Gold Bonds 5 %=Foreign Govt. Security.
Glasgow Corporation 2¾ %=Brit. Municipality Security.
Toronto Sterling Bonds 4 %=Colonial Municipality Security.
Melbourne Harbour Trust 5 % Bonds=Colonial Municipality Security.
New York 4½ Corpn. Stock=Foreign Municipality Security.
Midland Cons. Perpetual Pref. Stock 2½ %=British Rly. Stock.
Grt. Indian Peninsular 4 % Deb. Stock=Indian Rly. Stock.
Grand Trunk of Canada 1st Pref. Stock 5 %=Colonial Rly. Stock.
Baltimore & Ohio Non. Cum. 4 % Pref.=Foreign Rly. Stock.
Uruguay Northern 7 % Pref. Stock=Foreign Rly. Stock.
Gas Light & Coke Co.'s 4 % Cons. Pref. Stock=Industrial
Dunlop Pneumatic Tyre Co.'s 8 % Preferred Ord. Shares=Industria
Harrod's Stores, Ltd., £1 Founders' Shares=Industrial.
Callenders' Cable Cons. Co.'s £5 Shares=Industrial.
West Rand Consolidated £1 Shares=South African Mines.
Geldenhuis Deep £1 Shares=Rand Deep Mines.
Fanti Consolidated 10s. Shares=West African Mines.
Lake View Consols, £1 Shares=Australian Mines.
Anaconda Copper, $25 Shares=U.S. Mines.

Character of Securities. British and Indian Government Stocks, Municipal or Corporation Stocks, some Indian Railway Stocks, and a few foreign loans, belong to the class of Inscribed Stocks and are managed by the Bank of England, where they are not, as is the case with many of the Municipal Stocks, managed by one of our large joint stock banks. Colonial Government Securities are also usually Inscribed, though they sometimes exist in the form of Bearer Bonds. Foreign Government Securities are generally Bearer Bonds, but are sometimes Inscribed and sometimes exist in the form of English Scrip. Colonial and Foreign Corporation Securities exist sometimes as Inscribed Stock, sometimes as Bearer Bonds. British and Colonial Railway Securities exist in the form of registered Stock Certificates; American and Foreign Railway Securities either as Bonds to Bearer or Stock or Share Certificates. The Stock or Share Certificates of United States Railways bear a form of transfer on the back and are practically bearer securities which, on being endorsed by the person to whom they were originally issued, may be registered in the name of the new holder through the British agent of the railway issuing them. Insurance and Banking Companies Securities are with but few exceptions registered shares, and these, as already mentioned, carry a heavy reserve liability. Breweries,' Distilleries', and Gas Companies' Securities are mainly

registered stock, but sometimes shares are issued. Electric Lighting and Power Companies, and Iron and Steel Companies, mainly issue registered shares, but frequently stock; and Land Mortgage and Financial Companies as often issue shares as stock. Shipping and Telegraph Companies sometimes issue shares, sometimes stock. Tea, Coffee, and Rubber Companies almost invariably issue shares, as also do Mining Companies. Trusts usually issue stock, and Tramway and Omnibus Companies either stock or shares. Generally, industrial companies issue shares, but not infrequently their capital is divided into stock.

Floaters. This is the name given to those classes of Bearer Securities which the Bank of England is willing to accept as security for loans. They comprise British and Indian Government Securities, Treasury Bills and Exchequer Bonds, Indian Treasury Bills, County Council Bills, Corporation Bills issued by the Bank of England, Guaranteed Debentures of Indian Railways, &c.

Lloyd's Bonds. These are special Bonds (named after their originator, J. H. Lloyd) issued by Railway Cos., &c. whose powers of borrowing are limited, as security for debts contracted in respect of work done, or supplies furnished. The Bond is an acknowledgment of the debt, and states that in consideration of the creditor agreeing to allow the debt to remain for a stated period the Company will discharge the debt on a specified date, and in the meantime pay interest at a stated rate per cent. per annum.

Stamps on Securities. Registered Bonds, Mortgages, Debentures, &c., transferable only by instrument of transfer:

Where the amount secured (=Capital+Premium on redemption, if any) does not exceed £10 . . .	3*d.*
Exceeding £10 and not exceeding £25 . .	8*d.*
„ £25 „ „ „ £50 . .	1/3
Each additional £50 or fraction thereof, additional up to £300, and then for every additional £100 or fractional part thereof	1/3
	2/6

Where the security is given in substitution for a like security or a Bearer security, duly stamped, the duty on the substituted Registered security is 6*d.* per cent. on the amount secured, maximum 10/-

Bonds, Debentures, &c., payable to Bearer or transferable otherwise than by instrument of transfer:

For every £10 or fractional part thereof . . 2/-

Where these securities are given *in substitution* for like securities duly stamped, the duty is

For every £20 or fractional part 1/-

Foreign, and Colonial (except Colonial Government and Municipal) Bearer Securities on negotiation in the United Kingdom,

for every £10 or fraction 2/-

Trustee Stocks or Investments. As a general rule the higher the rate of interest or dividend obtained on investments in stocks and shares the greater is the element of risk. Three per cent. can be earned with safety, and an investment at four per cent. may be reasonably secure, but beyond that the experience of able financiers and business men amply shows that the increased risk assumed by the investor is not in the long run conducive to the integrity of his capital. In a "Plain Guide to Investment and Finance," Mr. T. E. Young cites the case of one of the shrewdest men of his acquaintance who, at the close of his commercial career, stated that "taking into account his losses upon investments in various classes of undertakings and weighing them against his gains he would have stood in the same financial position had he, throughout his long career, confined himself to British Government Securities and similar investments, with their lower rate of interest." For the protection of trustees holding or investing money on behalf of other persons the Trustee Act, 1893, provides that trustees may, unless specially forbidden by the Trust Deed, invest money in the following securities, and if so doing they are not to be held responsible for any loss that may be sustained. They may also from time to time vary any such investments.

TRUSTEE ACT, 1893 (SECTION I)

(*a*) Government Securities, Public Funds, or Parliamentary Stocks of the United Kingdom. (*b*) On real or heritable securities in the United Kingdom. (*d*) Indian Government Securities, and (*e*) Securities the interest of which is guaranteed by Parliament.

(*c*) Bank of England and Bank of Ireland Stocks.

(*f*) Metropolitan Board of Works Stock, London County Council Stock, and Metropolitan Police District Debenture Stock.

(*g*) Debenture, rent charge, guaranteed or preference stocks of

any railway in the United Kingdom, if the dividend for the last ten years has been not less than 3 per cent. per annum on the ordinary stock.

(*h*) Stock of any railway or canal company, leased for not less than 200 years at a fixed rent to any railway company under (*g*).

(*i*) Debenture stock of any Indian railway, the interest on which is paid or guaranteed, or (*k*) other stock on which a fixed or minimum dividend in sterling is guaranteed by the Indian Government, or upon the capital of which the interest is so guaranteed.

(*j*) "B" Annuities of the Eastern Bengal, East Indian and Scinde, Punjaub and Delhi railways, and any like annuities, charged on the revenue of India, also in "D" Deferred Annuities and "C" Annuities of the East Indian Railway.

(*l*) Debenture, guaranteed, or preference stock of any incorporated water company in Great Britain which has for the last ten years paid a dividend of not less than 5 per cent. on its ordinary stock.

(*m*) Municipal stocks of towns of over 50,000 inhabitants, or County Council stocks issued under Act of Parliament or provisional order.

(*n*) Water trust stocks of towns or compulsory districts of over 50,000 inhabitants where assessment for each of the last ten years has not exceeded 80 per cent. of the amount authorised.

(*o*) Stocks authorised for investment of funds under the control of High Courts of Justice.

Section 2 sub-section (1) permits the purchase at a premium of redeemable stocks, but sub-section (2) prohibits investment in those stocks otherwise available under sub-sections (*g*), (*i*), (*k*), (*l*) and (*m*) of section 1 which are liable to redemption at par or other fixed rate within 15 years of the date of purchase, or which stand at a premium exceeding 15 per cent. above the redemption value.

Colonial Stock Act, 1900

Section 2 of this Act permits a trustee empowered under the Trustee Act, 1893, or the Trusts (Scotland) Amendment Act, 1884,

to invest in any colonial stock registered in the United Kingdom in accordance with the provisions of the Colonial Stocks Act, 1877 and 1892, as amended by this Act, provided such stocks have been notified in the London and Edinburgh *Gazettes* as having been approved by the Treasury, subject to the restrictions contained in section 2, sub-section (2), of the Trustee Act, 1893. As the reader sees investment by Scottish Trustees is provided for byseparate Acts.

For any further information about Investments the author would direct the attention of the student to the first part of "A Plain Guide to Investment and Finance," by T. E. Young, B.A., where the whole subject is treated in an able and convincing manner.

Test Paper XXIX

1. Name the classes into which shares of Joint Stock Companies may be divided and describe the characteristics of each.
2. What is the difference between the Funded and Unfunded Debt of the British Government?
3. Explain the use of Exchequer Bills, Exchequer Bonds, and Treasury Bills.
4. Of what does the Funded Debt of Britain consist?
5. Explain the difference between Inscribed Stock and Bonds to Bearer.
6. What are "Floaters"?
7. Describe the use, growth, and present condition of our National Debt.
8. Describe the functions of an Official Receiver.
9. What are (*a*) a Certified Cheque; (*b*) Accommodation Bills; (*c*) Trade Bills; (*d*) Moratorium.
10. Explain "Limited by Guarantee" and "Reserve Liability."
11. What are the usual arrangements as to right of transferring shares? How is such transfer effected?
12. In what way can a Joint Stock Company borrow money? What security can it offer?
13. How many classes of Debenture do you know? What is underwriting Debentures? By whom is it done? What purpose does it serve?
14. Mention any claims you know that have priority on the Assets of a Company in Liquidation?
15. State the duties and liabilities of a Company promoter. To what remuneration is he entitled?
16. What is meant by Memorandum of Association? What precautions should be taken in drafting the paragraph dealing with the aims of the Company?
17. Describe as fully as you can the methods adopted in the flotation of the Loans of Foreign Governments. What is meant by underwriting an issue?
18. What conditions bring about the Compulsory Winding-up of a Joint Stock Company. What does "Limited by Guarantee" mean? Explain Issued Capital, Subscribed Capital, Paid-up Capital. What are Founders' Shares? Do you consider them objectionable, or the reverse?
19. What provision is made for the extinction of the National Debt?
20. What are Trustee Stocks?

Form of Application for Shares.

GRANT, WOOD AND COMPANY, LIMITED

Incorporated under the Companies (Consolidation) Act, 1908.

To THE DIRECTORS OF GRANT, WOOD AND COMPANY, LIMITED.

Gentlemen,

Having paid to your Bankers, The London and Eastern Bank, Limited, the sum of £55——, being a deposit of one shilling per share on the number of shares applied for by me hereunder, I hereby apply for ——1,100—— Shares of one pound each upon the terms of a prospectus issued by you and dated the 3rd day of January, 1909, and I hereby undertake to accept such shares or any less number which you may allot to me and to pay all further sums due thereon, and to be bound by the regulations of the Company, and I authorize you to place my name upon the register of members.

Signature of applicant—H. NORMAN.

Full name of applicant—HENRY NORMAN.
Address—1754 Cannon Street, London, E.C.
Occupation—Chartered Accountant.

Date—January 6, 1909.

NOTE.—This form must be sent direct to the Company's Bankers, The London & Eastern Bank, Ltd., 894 Lothbury, London, E.C., with a remittance for the deposit of 1*s.* per share on the shares applied for. Cheques should be made payable to The London & Eastern Bank, Ltd., *or Bearer*, and crossed.

(*Perforation*)

GRANT, WOOD AND COMPANY, LIMITED.

Banker's Receipt for Deposit upon Application for Shares.
(To be detached and returned to applicant)

Received this 6th day of January, 1909, of *H. Norman* the sum of *Fifty-five pounds*, being 1*s.* per share upon 1,100 shares applied for in the above Company.

For THE LONDON & EASTERN BANK, LTD.

CHARLES | STAMP 1*d.* | HILL, *Cashier.*

£55 : 0 0

Letter of Allotment.

GRANT, WOOD AND COMPANY, LIMITED.

Incorporated under the Companies (Consolidation) Act, 1908.

484 CORNHILL, LONDON, E.C.
January 8, 1909.

Allotment No. 39.

6d. STAMP

DEAR SIR, (*or* MADAM),

I am instructed by the Directors of Grant, Wood and Company, Limited, to inform you that in response to your application they have allotted you —— 1,000 —— Shares in the capital of the Company.

The total amount due upon application and allotment on 1,000 Shares allotted you is.....	£500	0	0
You have already paid on application for 1,100 Shares.....	55	0	0
Leaving a balance due from you of.....	£445	0	0

which kindly pay to the Company's Bankers, The London & Eastern Bank, Ltd., 894, Lothbury, E.C., forthwith.

Due notice will be given when the Share Certificates are ready for issue and they will then only be delivered in exchange for this letter, accompanied by the receipts for deposit paid upon application, and for the call due on February 1, 1909.

I am, Dear Sir, (*or* Madam),
Yours faithfully,
ROBERT WOOD,
Secretary.

To HENRY NORMAN, Esq.,
1754 Cannon Street, E.C.

NOTE.—This form must be sent direct to the Company's Bankers, The London & Eastern Bank, Ltd., 894 Lothbury, London, E.C., accompanied by a remittance for the amount due on allotment. Cheques should be made payable to The London & Eastern Bank, Ltd., *or Bearer*, and crossed.

Banker's Receipt for Allotment Money.

Received this tenth day of January, 1909, the sum of *Four hundred and forty-five pounds*, due in respect of the above allotment.

For THE LONDON & EASTERN BANK, LTD.

CHARLES STAMP 1*d.* HILL,
Cashier.

£445 : 0 : 0

.....(*Perforation*).....

(*This slip to be detached by Bankers and retained by them.*)

GRANT, WOOD AND CO., LTD.

Allotment No. 39.
Amount payable, £445.

Letter of Regret.

GRANT, WOOD AND COMPANY, LIMITED,
484 CORNHILL, LONDON, E.C.
January 8, 1909.

1. *Enclosure.*

To RICHARD COE, Esq., Redhill, Surrey.

Sir,

I regret to inform you that the Directors are unable to allot you any of the Shares of this Company, in compliance with your application for 100 shares of the Company.

I enclose herewith a cheque for £5, being the amount paid by you on the above-mentioned application, and shall be obliged if you will sign the Form of Receipt at the foot of the cheque sent herewith, and present the same for payment through your Bankers.

I am, Sir,
Yours faithfully,
ROBERT WOOD,
Secretary.

No. 3841. LONDON, *January* 8, 1909.

To THE LONDON & EASTERN BANK, LTD.,
894 Lothbury, E.C.

Pay to *Richard Coe, Esq.*, or order, the Receipt below being signed, the sum of *Five pounds.*

For GRANT, WOOD AND COMPANY, LTD.
JAMES BUCHET, *Director.*
ROBERT WOOD. *Secretary.*

£5 : 0 : 0

Receipt.

Received of Messrs. Grant, Wood & Co., Ltd., the sum of *Five* pounds, being the amount deposited by me on application for *one hundred* Shares in the same.

RICHARD 1*d.* Receipt Stamp COE.

£5 : 0 : 0

Call Notice.

GRANT, WOOD AND COMPANY, LIMITED.

No. 39.

Notice of First Call of 10s. per share, Ordinary Shares (making 20s. per share called up).

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484 CORNHILL, LONDON, E.C.
January 25, 1909.

DEAR SIR, (*or* MADAM),

I beg to give you notice that a First Call of 10s. per Share has this day been made by the Board in accordance with the terms of the Prospectus. On the 1,000 Shares held by you in this Company the call amounts to £500. This amount should be remitted to the Company's Bankers (The London & Eastern Bank, Ltd., 894 Lothbury, E.C.) on or before February 1 next.

I am, Dear Sir, (*or* Madam),
Yours faithfully,
ROBERT WOOD,
Secretary.

To HENRY NORMAN, Esq.,
1754 Cannon Street, E.C.

(*This half to be retained by the Bankers.*)

NOTE.—This form must be sent direct to the Company's Bankers, The London & Eastern Bank, Ltd., 894, Lothbury, London, E.C., accompanied by a remittance for the amount due. Cheques should be made payable to The London & Eastern Bank, Ltd., *or Bearer*, and crossed.

.....(*Perforation*).....

GRANT, WOOD AND COMPANY, LIMITED.

No. 39.

Banker's receipt for First Call of 10s. *per share on Ordinary Shares, payable February* 1, 1909 (*making* 20s. *per share called up*).

Received the 1*st day of February*, 1909, from HENRY NORMAN, Esq., the sum of £500 : 0 : 0, being First Call of 10s. per Share due February 1, 1909, on 1,000 Shares in the above Company.

For THE LONDON & EASTERN BANK, LTD.,

1*d.* Receipt Stamp

JAMES POUND,
Cashier.

£500 : 0 : 0

(*This half, when receipted by the Bankers, must be preserved by the Shareholder, to be exchanged in due course for the Share Certificate.*)

GRANT, WOOD & Co., LTD.

SHARE REGISTER

Name of Member: HENRY NORMAN. *Occupation:* Chartered Accountant. *Date of commencing to be a Member:* January 8, 1909.
Address: 1754 Cannon Street, London, E.C. *Date of ceasing to be a Member:* April 16, 1909.

SHARES DISPOSED OF.									SHARES ACQUIRED.									BALANCE.	
Date.	No. of Transfer Deed.	Folio in Transfer Register.	No. of Shares.	Distinctive Numbers of Shares. From	To	Amount of Capital paid up. £	s.	d.	Date.	No. of Allotment or Transfer.	No. of Shares.	Distinctive Numbers of Shares. From	To	Details.	Folio.	Amount of Capital paid up. £	s.	d.	Balance. Shares.	Balance. Capital paid up. £	s.	d.
									1909.												
									Jan. 6					Cash, Application Money...	C.B. 94	55	0	0		55	0	0
									,, 8	Allotment	39	1,000	34001	35000	Allotted.....	A.B. 17			1,000	55	0	0
									,, 10						Cash, Allotment Money..	C.B. 109	445	0	0	1,000	500	0	0
									Feb. 1						Cash, First Call.....	C.B. 171	500	0	0	1,000	1,000	0	0
1909.									Mar. 6	Transfer	121	2,000	72096	74095	Transferred.	T.R. 5	2,000	0	0	3,000	3,000	0	0
Apr. 10	207	10	1,500	34001 72096	35000 72595	1,500	0	0															
,, 16	212	11	1,500	72596	74095	1,500	0	0												1,500	1,500	0	0
			3,000			£ 3,000	0	0			3,000					£ 3,000	0	0				

It is to be noted that each transaction in the above form affects the balance either of capital paid up or shares, and that the balance column requires to be entered up after each transaction.

The particulars at the head of the account are required for the annual list of members, and in order to comply with the requirements of the Companies (Consolidation) Act, 1908.

GRANT, WOOD & Co., LTD.

TRANSFER REGISTER

Number of Transfer.	Date Transfer Lodged.	Date of Transfer Deed.	TRANSFEROR'S			Transferor's Folio in Share Register.	SHARES TRANSFERRED.				TRANSFEREE'S			Transferee's Folio in Share Register.	Number of New Certificate.
			Name.	Address.	Occupation.		Number.	Amount per Share paid.	Capital paid up. £ s. d.	Distinctive Numbers. From	To	Name.	Address.	Occupation.		
	1909.	1909.														
121	Mar. 6	Mar. 5	*Jones*, Owen	Llantrysant	Farmer	69	2000	£1	2,000 0 0	72096	74095	*Norman*, Henry	1754 Cannon St., E.C.	Chartered Accountant	172	1046
207	April 9	April 8	*Norman*, Henry	1754 Cannon St., E.C.	Chartered Accountant	172	1500	£1	1,500 0 0	34001 72096	35000 72595	*Higgins*, Abel	Aberystwith	Saddler	428	1362
212	April 15	April 8	*Norman*, Henry	1754 Cannon St., E.C.	Chartered Accountant	172	1500	£1	1,500 0 0	72596	74095	*Morris*, John James	Westmeath, Sleaford	Esquire	461	1382
												(*Signed*)	ISIDORE	GRANT, *Chairman.*		

The Millwall Rubber Company, Limited.

INCORPORATED UNDER THE COMPANIES ACTS, 1862 TO 1901

Certificate No. 6

CAPITAL · · £10,000

Divided into 10,000 Shares of £1 each

No. of Shares 100

This is to Certify that Sir Montague Kilrough Bart

of Albury Surrey

is the Registered Proprietor of One hundred

Fully paid-up Shares of £1 Sterling each, Nos. 500 to 599 inclusive, in THE MILLWALL RUBBER COMPANY, LIMITED, subject to the Articles of Association and Regulations of the Company.

GIVEN under the Common Seal of the Company, this 15th day of October 1909.

S. Cuthbert Cropper
W. J. Willoughby
} DIRECTORS

J. B. Warner SECRETARY

NOTE.—No Transfer of any of the Shares comprised in this Certificate will be registered until the Certificate has been deposited at the Company's Office.

The Crown Chemical Co, Ltd.

Debenture No. 132 Interest Coupon No. 10

10

For THREE pounds (less income tax), Half-year's interest due the 1st day of December 1914, and payable at the NATIONAL PROVINCIAL BANK OF ENGLAND, LIMITED, Bishopsgate Street Within, London, E.C., or at the Registered Office of the Company.

£3. G. B. Newell Secretary.

No. 732 £100.

The Crown Chemical Company,

LIMITED.

Incorporated under the Companies Acts 1862 to 1900

Registered Office: 12 FENCHURCH STREET, LONDON, E.C.

Issue of £17,000 First Mortgage Debentures to Bearer,

In 160 Debentures of £100 each, 15 Debentures of £50 each, and 10 Debentures of £25 each,

CARRYING INTEREST AT THE RATE OF SIX PER CENT. PER ANNUM

DEBENTURE.

1. THE CROWN CHEMICAL COMPANY LIMITED (hereinafter called "the Company,") will, on the 1st day of December 1914 or on such earlier day as the principal monies hereby secured become payable in accordance with the conditions endorsed hereon, pay to the Bearer on presentation of this Debenture the sum of **One Hundred Pounds.**

2. The Company will, in the meantime, pay interest thereon at the rate of 6 per cent. per annum, by equal half-yearly payments on every 1st day of June and 1st day of December, in accordance with Coupons annexed hereto.

3. The Company hereby charges with such payments its undertaking and all its property whatsoever and wheresoever both present and future.

4. This Debenture is issued subject to and with the benefit of the Conditions endorsed hereon, which are to be deemed part of it.

Given under the Common Seal of the Company

the 1st *day of* May *1909*

SEAL OF THE CROWN CHEMICAL Co LTD

Frederick Downes
F. Fitzwilliams
} DIRECTORS

G. C. Howell SECRETARY

Share Transfer.

Impressed Stamp £10.

Certificate of the within mentioned 2,000 *Shares* has been lodged at the Company's Office,
Robert Wood,
Secretary.

I, Owen Jones, of Llantrysant, Farmer, in consideration of the sum of [See Note at Foot.] *Two thousand pounds* paid by *Henry Norman, of* 1754 *Cannon Street, E.C., in the City of London, Chartered Accountant,* hereinafter called the said Transferee,

Do hereby bargain, sell, assign and transfer to the said Transferee:—*Two thousand* (2,000) *fully paid shares of one pound each, numbered* 72096 *to* 74095 *inclusive,* of and in the undertaking called *Grant, Wood and Company, Limited.*

To hold unto the said Transferee, *his* Executors, Administrators and Assigns, subject to the several conditions on which *I* held the same immediately before the execution hereof; and *I* the said Transferee do hereby agree to accept and take the said *Shares* subject to the conditions aforesaid.

As Witness our Hands and Seals, this *fifth* day of *March,* in the Year of our Lord One thousand nine hundred and *nine.*

Signed, sealed, and delivered, by the above named *Owen Jones,* in the presence of

Witness's { Signature,* *Michael Macgillicuddy.* Address, *Llantrysant, Wales.* Occupation, *Farm Bailiff.* } Owen Jones. SEAL

Signed, sealed, and delivered, by the above named *Henry Norman,* in the presence of

Witness's { Signature,* *N. Howell.* Address, 1754 *Cannon Street, London, E.C.* Occupation, *Audit Clerk.* } H. Norman. SEAL

Signed, sealed, and delivered, by the above named..... .....in the presence of

Witness's { Signature*..... Address..... Occupation ..... } ..... SEAL

Signed, sealed, and delivered, by the above named..... in the presence of

Witness's { Signature*..... Address..... Occupation ..... } ..... SEAL

Note.—The Consideration-money set forth in a transfer may differ from that which the first Seller will receive, owing to subsales by the original Buyer; the Stamp Act requires that in such cases the Consideration-money paid by the Sub-purchaser shall be the one inserted in the Deed, as regulating the *ad valorem* Duty; the following is the *Clause* in question:—

"Where a Person having contracted for the purchase of any property, but not having obtained a Conveyance thereof, contracts to sell the same to any other Person, and the Property is, in consequence, conveyed immediately to the Sub-purchaser, the Conveyance is to be charged with *ad valorem* Duty in respect of the Consideration moving from the Sub-purchaser"—[54 & 55 Vic., cap. 39 (1891), section 58, sub-section 4].

INSTRUCTIONS FOR EXECUTING TRANSFERS.

** When a transfer is executed out of Great Britain, it is recommended that the Signatures be attested by H.M. Consul or Vice-Consul, a Clergyman, Magistrate, Notary Public, or by some other person holding a public position—as most Companies refuse to recognize Signatures not so attested. When a witness is a Female she must state whether she is a Spinster, Wife, or Widow; and if a Wife she must give her Husband's Name, Address, and Quality, Profession, or Occupation. The Date must be inserted in Words and not in Figures.*

Test Paper XXX

1. Explain Lloyds' Bonds; Scrip Certificates; Convertible Stock; Gold, Sterling and Currency Bonds. Why should investments be restricted to Gold and Sterling Bonds?

2. Explain the difference between Loan Capital and Share Capital.

3. What do you understand by Terms of Issue? Explain the various terms of issue of Shares and Debentures.

4. What is the procedure relative to Forfeited Shares?

5. For what purposes are the following documents used: Letter of Application; Letter of Allotment; Letter of Regret; Call Notice.

6. Give the scale for stamping Securities for Revenue purposes. Explain what is meant by "Amount Secured."

7. Give an illustration of a Terminable Annuity.

8. How is the dividend or interest on Shares and Inscribed Stocks paid?

9. Give the three main classes into which Securities are divided. Why should a Company appealing to the public for Capital sometimse offer a choice of different classes of shares?

10. Sometimes the words "dividend or interest" are used. Why the alternative?

11. Explain the various ways in which a Joint Stock Company may be formed.

12. What are the advantages attaching to "limited liability"?

13. Differentiate between a Private and a Public Company.

14. Define "Authorised Capital"; "Nominal Capital"; "Registered Capital"; "Issued Capital"; "Unissued Capital"; "Subscribed Capital"; "Called-Up Capital"; "Uncalled Capital"; "Paid-Up Capital"; "Working" or "Circulating Capital."

15. Discriminate between Floating or Circulating Assets and Fixed Assets.

16. Give two examples of "Watered Capital."

17. What is the object and what the nature of a Company Prospectus?

18. What are "Interim Dividends" and "Flotation Expenses."

19. Explain "Deferred Ordinary" and "Preferred Ordinary."

20. Mention two meanings attaching to the expression "Guaranteed Stock."

21. Mention any advantage attaching to Stock and not to Shares, or that is derived from the possession of Debenture Stock instead of Debenture Bonds.

22. How are premiums received from an issue of Shares or Debentures treated? How also is the discount allowed on an issue of Debentures treated?

23. What is "Omnium Scrip" and what is a "Talon"? Under what circumstances does a buyer of securities obtain a Stock Receipt and what is its value?

24. What is the difference between Insolvency and Bankruptcy? What is an Act of Bankruptcy? Give a list of such Acts.

25. What do you know about "Table A."?

CHAPTER XXI

THE STOCK EXCHANGE

The London Stock Exchange (many large provincial cities also possess Stock Exchanges) is a centralised market for the purchase and sale of securities, or, to be exact, it is a collection of markets, for the different stocks and shares dealt in are so numerous that the Jobbers, or Dealers, although they possess a fair knowledge of all classes of investments, specialise in some definite class, and Jobbers dealing in the same class congregate in a particular spot on the floor of the House. Thus there are, for example: the Consol Market, the Kaffir Market (for South African shares), the Westralian or Kangaroo Market (for Australian shares). The Stock Exchange Building (with the site) is owned by a limited company, of which many, but not all, of the members of the Stock Exchange are shareholders, and the control of the Company devolves upon the Managers (comparable to the directors of other companies) elected by the shareholders. Membership of the Stock Exchange, or "House," as it is called, is secured by election and the payment of heavy fees, great care being exercised that only men of untarnished financial reputation and considerable means should be elected. The conduct of the business of the House is regulated by a Committee of thirty members, called the *Stock Exchange Committee*, drawn from and annually elected by the members. It has been mentioned in another part of this book that members of the Stock Exchange are precluded from going to law to settle disputes among themselves. All contentious matters must be submitted to the Committee, and their decision is final and binding. All members who desire to remain such are annually re-elected.

Members of the House. The members of the House consist of (1) Brokers; (2) Jobbers or Dealers; (3) Authorised Clerks; (4) Unauthorised Clerks. *The Jobbers* are members who buy from,

or sell to, the public, through the medium of the Brokers, the stocks and shares which form the commodities of their particular market. *The Brokers* are members who, acting as agents for the public, buy from or sell to the Jobbers these stocks and shares. The Jobber is therefore a principal, akin to the wholesale merchant, while the Broker is an agent. Hence the Jobber is remunerated for his work by a *profit*, *i.e.* the difference between his buying and selling prices; but the Broker by a *commission*, charged to his clients, the public. A broker may, of course, buy and sell stocks and shares for himself, but, as a rule of law, he may not act as principal and agent in the same transaction. *Authorised Clerks* are clerks who have been elected members of the House, and have authority to buy and sell for their principals. *Unauthorised Clerks* are those who are privileged to enter the House, but have no authority to make bargains for their principals.

How the Jobber makes his Profit. The Jobber will not always possess a supply of the stock or shares he agrees to sell, nor does he generally intend to retain the stock or shares he buys. If he sells he buys again, if he buys he sells again, and endeavours to make his purchases and sales balance one another, or as it is termed "even up his book." His skilled and intimate knowledge, and the seizure of the fitting moment, enable him so to fix his selling price that he can buy again at a lower rate, and to fix his buying price that he can sell again at a higher rate. When the Jobber is asked by a Broker to *make a price* for a particular stock he quotes two prices, *e.g.* he might quote Consols, $83\frac{1}{8}$-$83\frac{1}{4}$—the first, *i.e.* the lower, is his buying, the second, *i.e.* the higher, is his selling price. The difference is called *the turn*, or the *turn of the market*, and represents the Jobber's profit. When a Jobber makes a price he is bound either to buy or sell—and when no amount of stock etc. is mentioned he must deal up to £1000 of stock or bonds, or in the case of shares up to 100 if of the nominal value of £1 or under, 50 if of any value from £1 to £15, and 10 if exceeding £15 in nominal value.

Prices are constantly varying, almost from moment to moment at times, hence there is need for specialisation and constant alertness. What then becomes of the stocks and shares which form the basis of all this buying and selling? They either pass into the possession of a speculator or the general public, the intention being that ultimately the general public shall become the holders.

The Check on Prices. This dual arrangement of a Broker possessing a general knowledge of stocks and shares, buying on behalf of a client from a Jobber, who is not allowed to have dealings except with Jobbers or Brokers, acts as a wholesome check upon Stock Exchange prices, and prevents the Jobber making an exorbitant price, especially when, as is generally the case, he is brought into sharp competition with other Jobbers anxious to do business. It is, however, only fair to add that in Scotland and Germany where Jobbers do not exist, Stock Exchange business is conducted as easily, and with as great a regard for the public interest as in England. The position is further strengthened by the rules of the Stock Exchange which prohibit partnership between Brokers and Jobbers, and also between members and non-members, and permit no partnership between Jobbers or between Brokers, unless the Committee of the House has approved the partnership, and a notice of it has been posted up so that the fact is known to all the members.

Market Prices. The varying prices at which sales and purchases of stocks and shares are made are termed the market prices. These prices are published daily in the Stock Exchange List.

The Method of Business. Suppose that James Brown, a person of substance, desires to buy £300 L.C.C. 3 per cent. Stock and instructs his Broker, Wm. Watson, to purchase that amount. Watson proceeds to the House to the particular market where this stock is dealt in and applies to a Jobber, F. Green, to "make him a price." Green does not know whether Watson is a buyer or seller, for such knowledge would enable him to quote high prices if Watson were a buyer and low prices if Watson were a seller. Green accordingly quotes two prices, say 90-91. The first price, £90 (for £100 stock) is the price at which Green is prepared to buy, and the second, £91, the price at which he is prepared to sell. Watson, however, may perhaps think that the quotation is too "wide," *i.e.* there is too big a margin between Green's buying and selling price, and ask Green to revise his price. Green then perhaps quotes £90$\frac{3}{8}$-90$\frac{5}{8}$, which Watson accepts. Thereupon both Green and Watson enter the transaction in their jobbing book, Green as seller, and Watson as buyer. The same day Watson posts to his principal, Brown, a *Contract Note.*

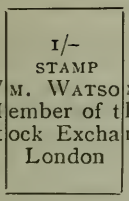
CONTRACT NOTE

William Watson, London April 3, 1910

Bought for JAMES BROWN, Esq.

£300 L.C.C. 3 % Stock @ 90⅝ .	£271	17	6
Brokerage ⅛ % and Stamp		8	6
	£272	6	0

For the 10th inst.



On the following day Green's clerk and Watson's clerk meet to check off the transaction which they have copied from their principals' jobbing books. The Stock was bought not for cash, but for *the Account* (*see* p. 459), and the settling day (in this case, April 10), is mentioned on the contract note. Green having sold £300 L.C.C. 3 per cent. Stock that he does not possess must now buy it. The market is possibly not favourable to buyers, so he waits a day or two in the hope that the stock may fall in price, and then goes to another jobber, J. Smith, and inquires at what price Smith will sell him £300 L.C.C. Stock. There is no need for secrecy, as both jobbers are acting for themselves. Assume that the price quoted is £90½, and that Green buys it at that price. Both Green and Smith enter the transaction in their jobbing books as before, and so far as Green is concerned, the sale to Watson (the Broker) and the purchase from Smith, cancel one another, and leave him (Green) entitled to the difference in price between £300 L.C.C. at 90⅝ and £300 at 90½ per cent. = 7*s.* 6*d.* Smith must now buy in £300 L.C.C. He is asked by another Broker, F. Williams, on behalf of his client, R. Allpress, to make a price for L.C.C. 3 per cent. and Smith quotes 90¼–90⅜, which Williams accepts, selling £300 at 90¼. This time there is a sale by a Broker on behalf of his principal. The transactions are duly

recorded, and Williams sends Allpress a contract sold note for £300 L.C.C. 3 per cent. at 90¼, just as Watson sent his principal Brown, a contract bought note. The position is now as follows:

Buyer	*Jobbers.*		*Seller*
J. Brown	F. Green	J. Smith	A. Allpress
£300 L.C.C. Stock @ 90⅝.	Seller of £300 L.C.C. Stock @ 90⅝	Seller of £300 L.C.C. Stock @ 90½	£300 L.C.C. Stock @ 90 ¼.
Broker	to Wm. Watson	to F. Green	*Broker*
Wm. Watson.	Buyer of £300 L.C.C. Stock from J. Smith @ 90½ gaining a profit of ⅛ %	Buyer of £300 L.C.C. from F. Williams @ 90¼ gaining a profit of ¼ %	F. Williams.

The day prior to settling day is known as *Ticket Day*, or *Name Day*.

Watson having obtained from the Bank of England (who manage this Stock) a *Transfer Ticket*, fills in that part of it relating to himself and his principal Brown, and then hands it to Green the Jobber from whom he bought. Green endorses the ticket and hands it to Smith. Smith also endorses it and passes it on to Williams. The latter then fills in the particulars relating to himself and his principal Allpress. The ticket together with a fee of 2/6 is then lodged with the Bank, who make the necessary entries in the books. Meanwhile Williams makes out a Stock Receipt on a form also obtained from the Bank, and as soon as he receives word later in the day from the Bank that the clerical work is completed, he attends with his principal Allpress, who there signs the Stock Receipt, his signature being witnessed by one of the Bank's clerks.

NOTE. If the security dealt in had been Registered Shares or Stock instead of L.C.C. 3 per cent Stock, which is inscribed at the Bank of England, Watson, the buying broker, would have passed an ordinary Stock Exchange ticket which sets forth: (1) particulars of the Shares or Stock dealt in; (2) name and address of the person from whom he bought (hence *name* day)—prior to the presentation of this ticket the jobbers have no knowledge of the actual buyer or seller of the Shares or Stock; (3) the consideration for the purchase; (4) the value of the stamp; (5) the name of the jobber, Green, from whom he bought the Shares or Stock; (6) the date. Green would then endorse the ticket and pass it to Smith, the jobber from whom he bought. Smith, in turn, would endorse the ticket and pass it on to Williams, the broker from whom he bought. Williams would also endorse the ticket. Williams would then know that the Shares or Stock were to be transferred from his principal, Allpress, to Watson's principal, Brown.

Not all Inscribed Securities are managed by the Bank of England, and each bank managing Inscribed issues has its own special form of ticket, but each ticket, as also the procedure followed, is very much the same as that described in the paragraph above.

The books of the Bank contain a duplicate of this Stock Receipt which Allpress signs also. The Stock Receipt is then handed to the selling broker Williams who pays his client Allpress the proceeds of sale. Williams then passes the Stock Receipt to Watson, who similarly hands it to his client Brown against the receipt from the latter of the amount stated in the Contract Note. As already explained, the stock receipt possesses no negotiable value, and Brown must either personally attend at the Bank with Watson, and inscribe his name in the Bank's book as accepting the transfer, or deposit his stock receipt in the Accountant General's Department, and have it certified in the way already described on p. 432. The original buyer, Brown, and the ultimate seller, Allpress, are thus disposed of, but there still remains the respective indebtedness of Brokers and Jobbers. The difference of £1 2*s.* 6*d.* between £271 17*s.* 6*d.* (the price, ignoring the commission, at which the original broker purchased), and £270 15*s.* (the price, ignoring the commission, at which the ultimate broker disposed of the stock), must be apportioned between the two jobbers, and Williams, broker for the ultimate seller, must receive the selling price £270 15*s.* Watson therefore hands Williams his cheque for £271 17*s.* 6*d.*, being the price at which he bought from the jobber Green.

Williams hands to Smith, the jobber with whom he dealt, a cheque for £1 2*s.* 6*d.*, the amount being calculated as follows:

	£	*s.*	*d.*
Cheque received from Watson	= 271	17	6
Price at which Williams sold to Smith 90¼	= 270	15	0
	1	2	6

and Smith then hands to Green a cheque for 7*s.* 6*d.* according to the following calculation:

	£	*s.*	*d.*
Cheque received from Williams	=	1	2	6
Profit made by Smith in buying from Williams and selling to Green = ¼ per cent. (see Table, p. 454)		15	0
Balance due to Green		7	6

This cheque for 7*s.* 6*d.* represents Green's profit, and when handed to him closes the transaction.

Transfer by Attorney. The mode of transfer above described is followed where the transfer is effected by the seller in person, but

the transfer may also be made through an attorney or agent (usually the seller's broker). In such case the applicant procures a form of application for a Power of Attorney, and fills in the necessary particulars, viz., name of seller, address present and past, his own name and address, and a description of the stock sold. The form duly filled up is then lodged at the Power of Attorney Office in the bank, and from there passed on to the Transfer Office, and checked off with the stock books. If all is in order the Bank fills up a Power of Attorney, and then sends a circular to the stockholder informing him that a Power of Attorney has been applied for. If the stockholder makes no objection, or the advice is not returned to the Bank, the Bank issues the Power of Attorney to the applicant, who then obtains the seller's signature to it, and returns it to the Executed Powers Office at the Bank. The seller's signature is then compared with any previous signatures of his in the Bank's books. If the signature is in order the Power of Attorney goes to the Transfer Office, and when the ticket made out by the broker arrives, both the power and the ticket are compared together and with the books. If they agree the ticket is entered in the transfer books, and a copy made out as before. The attorney must fill up a form on the back of the Power, which is a demand to act upon the Power, and on this being done he can complete the transfer in the Bank's books. A Power of Attorney of this kind is stamped with a 10/- stamp, and the Bank charges an additional fee of 1/6. But for Government Stock not exceeding a nominal value of £100 the total charge is 4/-. All other banks charge only the stamp fees.

Transfer of Bearer Securities. The foregoing illustrations have reference to inscribed stock. If, however, the dealings had been in securities expressed to *bearer* the transfer would have been effected simply by handing the securities to the buyer against cash.

Transfer of Registered Securities. Where the securities dealt in are registered and transferable by deed of transfer the method is as follows: The selling broker prepares a deed of transfer, gets his principal to sign it before witnesses and hands it with the stock or share certificate, also obtained from his principal against cash, to the buying broker. The buying broker obtains his principal's witnessed signature to the transfer deed, and then on receipt of cash deposits both deed and certificate with the company whose stock or shares have been dealt in. The company's officials then cancel the certificate and issue a fresh one in the name of the buyer, making

the necessary adjusting entries in their share and transfer registers. This is the procedure where the ultimate seller sells the exact number of shares he holds. But suppose he held a certificate for fifty shares and only sold twenty-five. He would not then hand his certificate for fifty to his broker, but do one of two things, either (*a*) deposit his certificate with the company and get them to certify the transfer (this certification is shown on the left hand side of the specimen on p. 448) or, if the securities are quoted on the Stock Exchange List, leave his certificate with the Secretary of the Share and Loan Department of the Stock Exchange, who will forward it to the company concerned, and certify on the transfer that this has been done. The company's officials would then cancel the original certificate and issue two fresh ones in its place, one for twenty-five shares to the seller, and one for twenty-five shares to the buyer. In the case of securities transferable by deed the seller is allowed ten days to complete his transfer and effect delivery of the stock or shares sold.

Split Tickets. Where a dealer has bought, say, 250 shares of a particular registered security, and sold them in two lots of 125, he will receive a ticket for the 250, but cannot, of course, pass it on as it stands. He accordingly splits the ticket, *i.e.* issues two tickets each for 125, and retains the original. The splitter of a ticket marks on the splits the number of the original ticket, the name of the issuer, and his own name as the splitter of the ticket. Tickets for bearer securities can only be split in the Clearing House of the Stock Exchange.

The Stock Exchange Clearing House. The ticket system has now been largely superseded by the Stock Exchange Clearing House, conducted on much the same lines as the Bankers' and Railway Clearing Houses. Members send in lists to the Clearing House, giving their transactions, purchases on one side (names of sellers and quantity and description of securities bought), and sales on the other (names of buyers and quantity and description of securities sold). The clerks trace these dealings through the different lists, and then issue tickets to the members for the balance of the securities which they have to deliver. The Clearing House is only available for securities that are widely dealt in. For securities infrequently dealt in, and in cases where members are not also members of the Clearing House, the ticket system is followed. Differences are paid by cheque on clearing bankers.

The Stock Exchange List. The list is published twice daily by the authority of the Committee. It is the official record of the different classes of securities. Before a company or institution issuing stock or shares can obtain a quotation in this list certain conditions and regulations must be complied with, these conditions and regulations being framed with a view to protect the public from the machinations of the unprincipled company promoter. It is not, however, to be supposed that the inclusion of any particular stock or shares in the list is a guarantee that the Committee regard that particular stock or shares as suitable for investment by the general public. The Stock Exchange is an instrument for securing facility for and honourable conduct of bargains, and is not in any sense a court of judgment upon credit. The List is of immense value to the investor, who is enabled to compare the price at which he recently bought or sold stock or shares with the prices quoted in the List, and so satisfy himself that he obtained the current market value or, if about to sell or buy, to discover what price he is likely to get or will be required to pay. The column headed "Interest due" gives the date when the interest on any particular security is due. The column headed "x.d." or "x. in." (*see* p. 467) shows whether the interest or dividend accrued on any particular stock or share is or is not included in the price. The column headed "Quotations," while it offers a trustworthy indication as to the actual value of any particular stock or share, does not give the statements of responsible officials of the House, but a fair estimate of the prices ruling at the close of the day (hence called "Closing" quotations) given by dealers to the publishers of the List.

Where the transactions in any particular security are numerous, the quotations are more reliable than in the case of a security that does not very often change hands. This greater reliability is indicated by a *close* quotation (*i.e.* a quotation in which there is only a small margin between the jobber's buying and selling prices, *e.g.* $90\frac{1}{16}$–$90\frac{1}{8}$) in those securities which are continually changing hands, and a *wide* quotation in those for which there is no great demand.

The column headed "Business Done" is a record of the prices at which dealings have actually occurred, and possesses official authority. A broker or jobber, when concluding a deal, may require it to be *marked*, *i.e.* recorded upon a board kept in the house for that purpose. This marked price will appear in the

Official List of Business done. Not every deal is so marked. It would obviously be impossible to record every one of the vast number of transactions, but sufficient deals are recorded to give this column real value as a guide to the ordinary investor.

Deals for Cash or the Account. Stock bought or sold may be delivered immediately for cash; but, most frequently, dealings are effected for the account. An account runs for the period intervening between one settlement and the following settlement, and must not be confounded with the *settlement*. The Account is the period during which transactions take place. The Settlement is the three days during which these transactions are adjusted. The prices quoted for Stocks and Shares are invariably prices for the Account, and are naturally somewhat higher than would be quoted for spot cash. Thus on November 28, 1909, the price of Consols for money was $87\frac{3}{8}$–$87\frac{5}{8}$, but for the Account, $87\frac{5}{8}$–$87\frac{7}{8}$. *The Settlement* occurs twice a month about the middle and the end, known respectively as the *mid-monthly* and the *end-monthly* settlement, but the settlement in Consols, India and Corporation Stocks is fixed for once a month. The settlement occupies three days, or rather four, as the day preceding the *general* contango is, owing to the great increase in mining enterprises, devoted to the *mining* contango, or carry over. The first day is called "*Contango*" or "*Making Up*" day, the second "*Ticket*" or "*Name*" day, and the third "*Settling*" or *Pay* day (in the Rules of the Stock Exchange, "*Account day.*") On contango day those who desire to postpone the settlement of bargains arrange to continue or "carry" them to the next account. Ticket or name day is, as already explained, the day when a ticket revealing the name of the purchasing broker's client is passed to the jobber from whom the stock or shares have been bought. The ticket is thus a demand for the delivery of the securities which have been bought or sold. Settling day, or account day, is the day when all differences must be paid, and all deals, not carried over, closed, either by payment or delivery of the securities. There are a number of rules governing the delivery and payment of securities—too complicated for enumeration here—a breach of which entitles the non-defaulting party to independent action against the party in default. A buyer who has not obtained delivery of securities in accordance with the rules may, through the *Buying-in-Department*, buy in against the defaulting seller, and have him charged with any loss that may be incurred. Similarly, a seller

who has not obtained a ticket in accordance with the rules, or whose buyer does not pay for the securities when tendered to him may, through the *Selling-Out Department*, sell out against the defaulting buyer, who must make good to the seller any loss he may sustain.

"Carrying-over," "Making-up Price," "Differences." A speculator, either a member of the House, or one of the public, may not consider it advantageous to close the bargain he has entered into, and so defers accepting the security he has bought (as also the necessity of paying for it), from the contango day subsequent to the day of his entering into the bargain until the next fortnightly settlement. He does this by continuing or carrying over his bargain. He may have purchased the security in the hope that it would rise in value, and enable him to dispose of it at a profit, but his hopes have not been realised; or he may have sold stock (without actually possessing such stock) hoping that it would fall in value, and that he would then be able to buy in and deliver at the settlement at a lower price than what he sold it for, but that fall has not taken place. In connection with such transactions, an official of the House, on the first settlement or contango day, fixes a "making-up" price, which is the actual mid-day market price, except in the case of Government and a few other stocks, when it is the average price, as the price upon which these continuations or carryings over are to be based.

An Example. The matter may be made clear by an example: A broker purchases stock at 125 for the account ending June 26, but he does not wish to take up his purchase on that day. On June 24 (contango day) A goes to B, the jobber from whom he bought, and *sells* him the same amount of stock at the making-up price, which assume to be 124 (the stock having fallen), the stock to be delivered by A to B on June 26. At the same time A *buys* from B precisely the same amount of Stock at 124, to be paid for by him at the next account, July 15. Thus by selling to B, A completes his first purchase from B, but seeing that he originally bought at 125 and now sells at 124, there is "a difference" of 1 per cent. upon the amount of stock, which difference he must pay to B on *June* 26. After paying this difference of 1 per cent. to B he is in the position of having bought from B the original amount of stock (but at 124 - the making-up price—not 125), which he must pay for on July 15 (instead of June 26). A is the loser of

1 per cent. on the amount of stock originally purchased, but he has deferred real payment for the stock from June 26 to July 15. Obviously, too, A owes some monetary consideration to B for allowing him to enter into this new bargain. This will be discussed later.

If, instead of buying stock at 125 for the account June 26, A had sold stock, he could postpone the delivery of that stock by *buying* from B on June 24 the same amount of stock for delivery on June 26 at the making-up price—124. In this case A would *receive from* B the difference of 1 per cent., for he has bought stock from him at a lower price than what he originally sold it for. Then, at the same time, A would sell to B the same amount of stock for delivery on the next account day—July 15. His first sale would be cancelled by his subsequent purchase, and his second sale would form the subject of a new bargain at 124, instead of 125.

If, however, the making-up price were 126, *i.e.* if the stock had risen 1 per cent., A would have to pay B the difference of 1 per cent. on his purchase, instead of receiving 1 per cent. from B. It will be seen that, in the first instance, where A is a buyer, B virtually lends A the money to enable him to purchase the stock he had contracted to buy; and in the second instance, when A is a seller, B virtually lends him the stock that he may be in a position to effect delivery of it. There is an alternative method of carrying over to that already described, viz. where the broker carries over, not through the medium of the jobber from whom he originally bought or to whom he originally sold, but through a second jobber. The second jobber carries through the broker's obligation to the first jobber, and receives from or pays to the broker differences and the consideration money (contango or backwardation, *see* the next paragraph), and then has what the original jobber would have had if the carry over had been effected through him, viz. a contract with the broker for the new account to take or deliver the securities at the making-up price. A broker or jobber is not bound to carry over, but may insist on the deal being closed. Generally, when he does carry over in respect of purchased stock, he himself pays for the stock or shares on delivery, raising the required funds by depositing the stock, shares or other securities with a bank. These borrowings form part of the "short loans" of commerce.

Contango and Backwardation. A consideration must be paid for the accommodation discussed in the preceding paragraphs.

The buyer for the rise, instead of finding the money to pay for the stock he has bought, and accepting delivery of the stock, borrows from the jobber or broker, and must therefore pay a premium or interest of so much per cent. or per share (called *Contango*), upon the amount he has virtually borrowed; while the seller for the fall, instead of finding the stock for delivery, pays a premium or interest, called *Backwardation*, on the value of the stock, which in effect he borrows from the jobber. The amount of the contango, or of the backwardation, depends on: (1) the market rate of interest, which in turn hinges upon the current Bank Rate; (2) the plentifulness or scarcity of the stock or shares in question; (3) the soundness or riskiness of the security; (4) the financial standing of the speculator. If the market rate for money be high, and the particular stock plentiful and therefore cheap, the contango will be high, because the jobber in that case would prefer to deliver the stock rather than carry it over; but if the market rate be low and the particular stock scarce and therefore dear, the jobber, rather than deliver the stock, would not only be willing to carry it over, but actually pay backwardation instead of receiving contango.

The student will see that when loanable capital is scarce through briskness of general trade (requiring more capital to feed it and therefore forcing up the rate of interest), Stock Exchange speculation is restricted; the converse is, of course, also true. It is not, therefore, to be assumed that briskness in speculative dealings on the Stock Exchange necessarily indicates a condition of general commercial prosperity.

Bulls and Bears. When a person buys securities, not with the intention of accepting delivery of them, but in the hope that they will rise in value so that he can sell them again at a profit, he is termed a "Bull." When, on the other hand, he sells shares that he does not possess in the hope that he will be able to buy them in at a lower price than that at which he sold them, and thus complete his contract, he is termed a "Bear." If at any particular settlement "Bull" operators are in the ascendant, and consequently there is a preponderant desire to postpone payment for shares, contango is payable. If "Bear" operations are the more numerous, and there is a prevailing desire to avoid delivery of securities, backwardation is payable; while should the opposing forces be fairly evenly matched, the "Bulls" pay contango and the "Bears" backwardation.

Stags. A *Stag* is a person who applies for a new issue of stock or shares, not with a view to investment, but because he judges that the issue will be largely over-subscribed, and that he will be able to reap a quick profit by selling, at a premium, the stock or shares allotted to him.

Margin is the value, either in money or securities, which is deposited by a speculator with a broker buying and selling for him, to protect the broker against possible loss through the speculator's default. The term is also used to express the excess in value of security or securities deposited as cover for a loan, over the loan itself.

Tape Prices. The official Stock Exchange List contains the record of some of the prices at which bargains have been completed. Brokers also issue lists of their own to clients. A third method—fuller and more expeditious—of imparting information as to prices is by means of the tape machine of the Exchange Telegraph Company. As each transaction is effected in the House the particulars are transmitted by the Telegraph Company to the offices of their subscribers, and appear on outwinding slips of paper tape.

Street Prices and Street Transactions. These phrases are frequently met with. They refer to dealings in stocks and shares arranged in Throgmorton Street (into which the main entrance of the Stock Exchange opens) after the hour when the Stock Exchange itself is closed. In times of brisk speculation street transactions assume large proportions.

Boom. This word indicates a brisk state of the investment market when transactions are numerous and prices rising. The opposite state, accompanied by a heavy fall in prices, is called a *Slump*.

Middle Price. The middle price of a security is the value midway between the buying and selling prices, *e.g.* if the quotation be 67–69, the middle price is 68.

Syndicate. A syndicate is a body of speculators who make large purchases or sales of stocks and shares in combination so as to influence the market prices, either in the direction of a rise or fall, as an inducement to the public to buy or sell, whichever operation will bring to the syndicate its profit. Simultaneously with these fictitious dealings rumours extolling or depreciating the stocks in question are industriously circulated by the syndicate or its agents. The result of these manœuvres often is that an unscrupulous syndicate, through a sudden inflation of prices, is enabled to unload upon

the public a large quantity of worthless shares, and in the other case to buy at abnormally low quotations a large quantity of promising securities, which the syndicate can dispose of at a much enhanced figure when prices have again reached the normal level. These fictitious dealings, artful rumours, &c., constitute the process ermed *rigging*, and sometimes this rigging results in "a corner," *i.e.* the syndicate practically secures control of or "corners" the whole of a particular stock, and then, owing to the presence of a large bear account, is able to dispose of it upon its own terms. Not all syndicates are of this class, however. Many have quite beneficent objects in view, *e.g.* the working of a patent, the amalgation of a number of small companies into one strong company, &c.

Outside Brokers. Members of the Stock Exchange are not allowed to advertise. The power and advantage of advertising is not likely to be overlooked in these days, and consequently many firms of Stock and Share Brokers, whose principals are not members of the House, and therefore are called "outside brokers," do a large and straightforward business through their agents on the Stock Exchange. An outside Broker suffers certain disadvantages compared with his more widely recognised brother, the inside broker. He must *e.g.* pay an inside Broker to act for him. This disadvantage descends to the clients for whom the outside Broker acts, as they are charged a double commission. Again, in the case of a dispute between an inside Broker and his client, the latter can appeal to the Stock Exchange Committee; but there is no appeal should a difference arise with an outside Broker. Side by side with the honest outside broker there exists a class of dishonest persons who conduct what are called "*Bucket Shops*," and, by means of speciously worded advertisements and circulars, induce simple-minded people to deposit *cover* (*i.e.* a sum of money sufficient to meet, within the limits agreed upon, the possible fall in price of the securities forming the subject of sp culation) for operations which can only be described as gambling ransactions pure and simple.

Special Settlement. When application is made for the quotation of a new issue to be cluded in the Stock Exchange List, certain formalities have to be complied with, after which the Committee appoint a special day for settling accounts. Subsequent settlements take place twice a month on the ordinary account days. All dealings in the scrip, bonds, or shares of new issues are entered into for the special settlements, *i.e.* the time of delivery of the shares sold and

of payment for shares bought, is deferred until this special settling day. But for these rules of the Stock Exchange it might very well happen that sufficient scrip or shares had not been issued by the Company, and those who had contracted to deliver could not do so by reason of this fact. The student will, perhaps, have seen in the prospectuses of new companies a statement to the effect that a Stock Exchange quotation had been or is about to be applied for. Stocks and shares subject to this special settlement are marked in the Stock Exchange List, s/s.

Defaulters. When a member of the Stock Exchange cannot fulfil his obligations, if, *e.g.* he has sold stock which he cannot deliver, and cannot arrange a continuation of the bargain, he becomes a defaulter, and is declared so by the chairman or his deputy, or by two members of the committee. An official of the House mounts a rostrum, strikes the desk with a hammer, and calls out the name of the defaulter. This is known as *hammering*. The *Official Assignee* of the Stock Exchange then fixes the current price of the stocks or stocks in which the defaulting member had dealt, *i.e.* the prices immediately prior to the declaration of default, and all members who have accounts open with the defaulter must close their transactions with him by buying from or selling to, the Assignee (acting as liquidator of the defaulter's estate), as the case may be, the amounts of stock which the defaulter had respectively contracted to accept or deliver. If the defaulter had sold stock at 95, and the price settled by the Assignee be 93, the purchaser must sell at the lower figure, and become a creditor on the bankrupt's estate for the difference of 2 per cent., and similarly, if the defaulter had bought stock, and the respective prices were those just quoted, the seller must buy back the stock at 93, and transfer the difference to the estate. This, however, is only an instance of what happens in one particular relationship of a defaulter to those with whom he has accounts open. The administration of a defaulter's estate is, however, very often a most highly complicated business, which could not be explained without going deeply into technicalities and legal decisions—an excursion which would probably interest or usefully instruct but few of my readers.

Options. A large part of Stock Exchange business is nowadays concerned with what are known as "Options." An option is a highly speculative form of dealing in securities, and may be one of three kinds, viz. a Put, a Call, or a Put and Call. A *Put* is the

right given in exchange for a specified sum, whereby the purchaser may, if he thinks fit, compel the seller of the Put to *buy from him* a definite amount of stock or number of shares at a specified price, at an agreed future time. A *Call*—the converse of a Put—is the right given in exchange for a specified sum, whereby the purchaser may, if he thinks fit, compel the seller of the Call to *sell to him* a definite amount of stock or number of shares at an agreed price on an agreed date. *A Put and Call* or *Double Option*—a combination of the two—is the right given in exchange for a specified sum, whereby the purchaser has the option of compelling the seller, either to *buy from him* or *sell to him* a definite amount of stock or number of shares at the price and time agreed. For example, A purchases from B for the sum of £25 a Put of 500 Consolidated Goldfields at $6\frac{1}{2}$ for the end November account, by which B undertakes to buy from A at the end of November, if called upon to do so, 500 Consolidated Goldfields at an agreed price of $6\frac{1}{2}$. If at the end of November the price of the shares is, say $6\frac{3}{4}$, it is obvious that A will not call upon B to complete the bargain, because A would be the loser, having to sell shares at $6\frac{1}{2}$ which would cost him $6\frac{3}{4}$ to buy, besides, of course, losing the £25 A had paid for the option. But supposing at the November account the Shares had fallen, say to $6\frac{1}{4}$, A could compel B to accept the 500 shares at the agreed price of $6\frac{1}{2}$, and would thus make a profit of £125, less the price he paid for the option. If, on the other hand A had purchased a Call of 500 Consolidated Goldfields at $6\frac{1}{2}$, and the shares had gone up to $6\frac{3}{4}$ at the November account, A would compel B to deliver the 500 at $6\frac{1}{2}$: if the shares had gone down to $6\frac{1}{4}$, A, naturally, would not exercise his option, and would also lose the £25 he paid for it. A Put and Call option would benefit A, whether the shares went up or down, provided that the fluctuation amounted to more than the sum he had paid for the double option. The cost of a double option is much higher than that charged for a single option. Where the buyer acquires the right to buy further stock or shares on the same terms as are agreed upon for the call he is said to have a *Call of More*. Similarly where he acquires the right to sell further shares he is said to have a *Put of More*.

Option dealing is not a form of enterprise to be recommended. Simple though it appears, it is really most complicated, for all sorts of combinations and positions are possible. The fact that the liability is limited to the price paid for the option is an attractive

feature to many speculators, but vastly more lose than gain by option dealing. The Stock Exchange Committee do not recognise operations extending over a greater period than that covered by two accounts, so that bargains, arising out of options taking more than a month to complete, cannot be enforced by the Stock Exchange rules, but they can be enforced by legal process.

Ex. div., xd. and **Ex. In., xin.** The student has already been told the meaning of these symbols (*see* p. 458). Incorporated Companies periodically close or "shut" their transfer books for the purpose of preparing the dividend lists. During this period all cheques or dividend warrants are made out to the holders of the securities as they stand on the books prior to closing. It will readily be seen that if the work of transfer and cheque and warrant drawing proceeded simultaneously, mistakes, for which the company would be responsible, might easily arise, and cheques or warrants be drawn to the wrong persons. The companies therefore safeguard themselves by refusing to give effect to any dealings in their securities during the period when the books are closed, until after they are re-opened. If securities were always sold and transferred immediately after the declaration or payment of dividends, the price of the securities would be their market value as securities. But they are transferred at all times—prior to, during and after the declaration or payment of interest or dividends. Now a security (apart altogether from the fluctuations affecting its market value as a security) increases in value by the amount of the interest or dividend accrued upon it. Assume for argument that a particular 3 per cent. stock invariably stands at par. The interest is paid to December 31. On January 1, £100 of the stock is exactly worth £100. On February 1 following it is worth £100 + 1 month's interest @ 3 per cent. And on June 15 following it is worth £100 + 5½ months' interest @ 3 per cent. = £101 7*s.* 6*d.* The question then arises, if the security is sold, to whom does this interest belong? The Stock Exchange Committee, as the arbiter in all matters relative to deals in securities, says in rule 91, "Government and Corporation inscribed or registered securities are to be quoted *ex div.* on the day after that on which the books close for the payment of dividend, and securities deliverable by deed of transfer (*e.g.* English railway debenture stock, and ordinary shares) on the account day following the date of the closing of the books for the payment of dividend, or on the account day following the date on

which the dividend may have been declared, provided the dividend be made payable to the holders then registered. In the case of a company the committee fix the date for marking *ex div.* on receiving official intimation of the rate of dividend declared, or about to be recommended to the shareholders.

Thus (1) If a seller dispose of stock immediately prior to the closing of the company's books, in time for registration in the name of the buyer, and before it is marked in the Stock Exchange list *x d* or *x in*, the cheque for the dividend or interest will be received by the purchaser. The seller suffers no loss, because he has received the accrued interest in the purchase price which is increased by the amount of the dividend or interest.

(2) If a seller dispose of stock when the company's books are shut and prior to its being marked *x in* or *x d*, he receives the cheque for the dividend or interest, but he must hand it over to the buyer, because he has already received it in the price at which he sold.

(3) If a seller dispose of stock when it is marked *x in* or *x d*, and when the company's books are shut, he retains the cheque for the interest or dividend, because the price at which he sold did not include the interest or dividend accrued upon the stock.

Cum Dividend and Cum Interest. Immediately after a particular security is marked, *x in* or *x d*, the ensuing interest or dividend begins to accrue and to increase the price, and the dealings in that security, so far as the subsequent interest or dividend is concerned, are *cum* (= with) interest or dividend and not *ex* (= without) interest or dividend.

Gilt-edged Securities. This is a somewhat silly expression, derived from the practice of gilding books to preserve the edges from being soiled by dust, and is applied to securities of the soundest description, such as Government Stocks and the debentures of the leading railways.

Harden, Easier. Prices are said to *harden* when they show an upward tendency. They are *easier* when a lower quotation can be obtained than was possible before.

Ex Rights, Cum Rights. Sometimes the possession of a particular company's stock or shares carries with it rights of increasing one's holding, in the same or in other classes of stock that may be issued by the company, on particularly advantageous terms. Where such stocks or shares are sold *cum rights* any such or other advantage

attaching to the stock passes with the transfer of the securities. Where it is sold *ex rights* the advantage remains with the seller. The right to take up stock is very often a marketable commodity, and where such a right is sold the seller fills up and signs the *Form of Renunciation* (attached to the *Form of Acceptance of Stock* sent out by the Directors offering the new issue) in favour of the person to whom he has sold it. This document reads: "I hereby renounce my right to apply for the above stock in favour of of ." It is stamped 6*d.* if the nominal amount of the stock is £5 or more; otherwise, 1*d.* An adhesive Inland Revenue stamp may be used. Alternative terms to Ex Rights and Cum Rights are *Ex New* and *Cum New*.

Ex All. This expression signifies that sales of stock or shares so made are exclusive of all rights to dividend, bonus, right to take up new issues or any other advantage that may attach to the stock or shares.

Parity Prices. In the lists of United States securities given in newspapers the prices quoted, except where otherwise stated, are in $ per $ 100 of stock. The value of the $ in sterling is, as the student who has read chap. XIX dealing with the foreign exchanges will know, variable. Hence, if the New York prices were converted at the current rate of exchange for the day, unmanageable fractions would arise. The difficulty is got over by arbitrarily fixing the rate of conversion as $5 = £1. As both buying and selling is conducted on this basis there is no loss on either side. The London prices of United States securities are based, of course, on the New York prices. These are cabled over and converted at the rate mentioned, and these converted prices are the *London parity* or *English equivalent* of the United States prices.

Arbitrage Transactions. In the same way that arbitrage business is conducted in respect of the foreign exchanges, so also it finds a place in stock and share dealing. The securities of international importance quoted in the Stock Exchange list are also quoted on the Bourses of Paris, Berlin, Vienna, &c. If, *e.g.* the quotation of a particular stock in Paris, after allowing for any extra costs arising in respect of local taxation and transmitting and insuring the securities, is higher than the quotation for the same stock in London, a speculator in London, on receiving information to that effect by cable or telephone, would cable or telephone to his correspondent in Paris to sell so much of the stock, while he himself would

buy simultaneously an equal quantity, and transmit the securities to Paris. Similarly, in the reverse position, the London speculator would sell and the Paris correspondent buy.

Leeman's Act. An Act passed to regulate dealing in Bank Shares and to prevent speculation in them as being contrary to the public good. It provides that no contract for the sale of such shares shall be valid unless the numbers of the shares are specified, and the names of the registered holders of them are disclosed. It is now practically a dead letter as such transactions frequently take place, and are upheld both by the Stock Exchange and the Courts.

Stamp Duties.

(a) *Contract Notes* £5 and not exceeding £100 . 6*d.*
£100 „ „ „ £500 . 1/-
£500 „ „ „ £1000 . 2/-
£1000 „ „ „ £1500 . 3/-
£1500 „ „ „ £2500 . 4/-
Each additional £2500 or fraction thereof, additional 2/-
up to £20000 or over when the stamp is 20/-

Continuation Notes are stamped with single duty though they cover two transactions—a sale and a purchase. If different rates of duty are chargeable in respect of the transactions then the note is stamped at the higher rate. Contract Notes for options are stamped at half the above rates; double options (put and call) at full rates. Contract Notes issued when an option is exercised are stamped half-rates. The stamps to be used are the special adhesive stamps appropriated to contract notes.

(b) *Transfers.*

BANK OF ENGLAND STOCK, any amount . . 7/9

COLONIAL STOCK forming part of public debt of any Colony, registered in United Kingdom, and to which the Colonial Stock Act of 1877 applies per £100 nominal or fraction thereof 2/6

N.B.—The stamp duty on these Colonial stocks is usually compounded for

ALL OTHER STOCK Consideration not exceeding £5 . 6*d.*
Exceeding £5 and not exceeding £10 . 1/-
„ £10 „ „ „ £15 . 1/6
„ £15 „ „ „ £20 . 2/-
„ £20 „ „ „ £25 . 2/6

Each additional £25 or fraction thereof, additional . 2/6
up to £300 and then 5/- additional for each additional £50 or part thereof.

Broker's Charges. Brokers on the Provincial and Scotch Exchanges have a fixed scale of charges, but for London Brokers there is no fixed scale. The following are approximately the brokerages charged in London :

British, Foreign and Indian Government Securities (nominal value) $\frac{1}{8}$ per cent.

Colonial and Municipal Securities, and Debentures Bond (nominal value) $\frac{1}{4}$ per cent.

Registered Securities (amount of transfer) $\frac{1}{2}$ per cent.

Shares : Under 10/- per share . . .									per share	$1\frac{1}{2}d.$
Exceeding	10/-	and not exceeding	£1	5	0	,,	$3d.$
,,	£1	5	0	,,	,,	£3	10	0	,,	$6d.$
,,	£3	10	0	,,	,,	£5	0	0	,,	$9d.$
,,	£5	0	0	,,	,,	£7	10	0	,,	1/-
,,	£7	10	0	,,	,,	£10	0	0	,,	1/3
,,	£10	0	0	,,	,,	£15	0	0	,,	1/6
,,	£15	0	0	,,	,,	£20	0	0	,,	2/-
,,	£20	0	0	,,	,,	£25	0	0	,,	2/6

Beyond £25 (amount of transfer) $\frac{1}{2}$ per cent.

Stock Exchange Slang. As might be expected there has come into use amongst members of the Stock Exchange, a number of portmanteaux words used to designate particular classes of securities. Thus *Canpacs* signifies the securities of the Canadian Pacific Railway Co., *Brums* the ordinary stock of the London and North-Western Railway Co., *Doras* the deferred ordinary stock of the South Eastern Railway. The list might be prolonged to a page or two if any real educational end could thereby be served.

Influences on Stock Exchange Prices

(1) **Speculation.** Dealings on the Stock Exchange are either genuine investment bargains or speculative transactions conducted in the hope that a profit may be secured on the transactions themselves. Since by the constitution of the Stock Exchange every transaction, whether it be genuine investment or pure speculation, is no mere handling of differences but involves the ultimate acceptance or delivery of the securities dealt in, the speculative trans-

actions exert as real an influence on the rise and fall in prices as the genuine investment transactions themselves. But there is this difference. The effect of the speculative transactions though real is transient, while that of the genuine investment dealings is both real and permanent. Hence no matter how extensive speculative transactions may be, they cannot produce any permanent decline in the value of securities intrinsically sound.

(2) **Wars.** (*a*) The outbreak of war causes an increase in the value of money. Fresh securities are issued to provide funds for the prosecution of the war, and frequently on terms more advantageous to subscribers than obtain on already existent securities. Hence money which would have been available for trade needs is absorbed in these national loans, while the tendency is for investors to sell other securities and take up these more attractive investments. Consequently, the money still required for trade can only be obtained at a higher rate of interest. (*b*) These national loans, while they withdraw money that would have been used for trade or investment purposes, impose an additional burden of taxation upon the country to provide interest for the capital and a sinking fund for its redemption, and every such burden diminishes the demand for investments and thus tends to reduce their value. (*c*) The same effects are observable in the case of both belligerents. Hence, what is a calamity for one of them is intensified and becomes much more a calamity since two countries are involved; trade depends upon freedom of intercourse, and there can be no direct commercial intercourse between two nations at war, and where trade languishes or is at a standstill, savings available for investments are reduced. (*d*) There is always the possibility that nations other than the original belligerents may become involved. Hence there is a general tendency for neighbouring states to strengthen their finances to meet a probable national emergency. British securities held by these neighbouring states may be thrown upon the market, and the proceeds withdrawn in gold, thus depleting the Bank of England reserve, and forcing the directors in self-defence to raise the bank rate. The increased charge for loanable capital, and the glut of securities still further tend to downward prices. In the war between Russia and Japan, consols declined $1\frac{1}{8}$ points immediately following the first attack on the Russian fleet. This was shown to be due to bankers in Paris and Berlin selling their holdings in consols. (*e*) War would, on the other hand, tend to

increased activity in some directions—*e.g.* in the manufacture of warlike engines—and thus some securities might increase in value, but, generally speaking, the increased activity would mainly be disclosed in unproductive expenditure—*i.e.* expenditure which does not result in the creation of additional wealth for extended commercial enterprises.

(3) **The Condition of Trade.** Trade being the interchange of material commodities desired by consumers—commerce being simply trade on a wider international scale—a greater number of exchanges—*i.e.* of sales and purchases—obviously signifies an extended trade. Extended trade means that people want more of these material commodities than they were able previously to afford. Merchants accordingly give larger orders, and tradesmen, the intermediaries between sellers and buyers, keep greater and more varied stocks. Improved machinery, and more of it, expediting the production of the raw material whose finished forms are wanted, involves more labour and wages; and by cheapened processes these articles become reduced in price and command an ampler circle of consumers. The increased wages are spent with tradesmen, who are thus enabled to expand their trade. The prosperity of any trade involves others in its fortunes, for the traders themselves are consumers, and their purchases from each other are enlarged. The export of goods to foreign nations is augmented, and imports, received in payment of exports, expand. The coal industry is improved, for additional machinery requires more coal, and the vessels which convey the goods abroad and home demand larger coal supplies in proportion to the greater number employed and their more frequent voyages. An increase of exported and imported merchandise provides more work and more remunerative work for the railways—the "heavy" lines, as they are termed; and the enhanced gains realised during periods of active and prosperous trade enable holidays to be more readily taken, and the passenger trains—the "light" lines—ply a busier traffic. So integrally allied are all the branches of industrial organisation, that a propitious start at any point radiates its stimulating influence throughout the mass, and passes with enlarging circumference beyond the bounds of the nation in which it formed.

Now every interchange of goods is the creation of a debt from the buyer to the seller. The evidences of these debts are cheques and Bills of Exchange—inland and foreign—and when transactions

multiply these credit instruments multiply in a corresponding ratio. But more bills require more discounting (their reduction into present money) so that the proceeds may be promptly invested in additional trade operations. More discounting demands a larger supply of capital, which the bill-brokers drawing from the bankers supply. Merchants and businesses generally require also direct loans on security for the conduct of their expanding engagements, and the banks which make the advances are kept vigorously active in the complete employment of the funds which they hold or can command.

As a necessary consequence of the full employment of the loanable capital that London possesses, in mercantile transactions and enterprises yielding a high rate of remuneration, the tendency of the prices of securities upon the Stock Exchange is towards a progressive fall. It need not be explained that this competition for capital increases its price, *i.e.* the rate of interest at which it can be lent; and it must be remembered that a great part of the purely speculative operations on the Stock Exchange—apart, *i.e.* from genuine investment business—is conducted upon borrowed capital. These causes, then, divert money from Stock Exchange investments, and hence the demand for these securities is relaxed.

Other factors auxiliary to these influences begin to operate in the same direction. Some investors in Stock Exchange securities sell out and put their money into the more remunerative trade channels. While others, who have purchased securities on borrowed capital, find it more and more difficult to retain their holdings under the increasing rate of interest for loanable capital, and are forced sooner or later to sell out. It is obvious that a speculator holding stocks which produce him 4 per cent. per annum could not profitably hold them if the interest on the capital with which he originally bought them cost him 5 per cent. per annum.

For prices of investments accordingly the only fate is a fall. For if the owner of a commodity which he desires to sell finds buyers few, he must diminish his price to tempt a sale, and each reduction of the area of purchasers compels a corresponding abatement of his gains. And securities are but commodities, obedient to the same law of supply and demand.

The student has simply to substitute a course of events of an opposite character to that depicted to perceive the effect of a dwindling and unprosperous state of trade.

(4) *Miscellaneous Influences.*

(*a*) Dear or Cheap Coal depresses or advances the value of the shares of Shipping and Railway Companies and also those of manufacturing industries, except Debenture and Preference Stock, the interest on which is fixed by contract. In consequence of a rise in the cost of coal the coal bill of the Caledonian Railway increased from £151,000 in 1898 to £360,000 in 1907. An increase in the cost of coal of 1*s.* or 1*s.* 6*d.* per ton would augment the yearly coal bill of the Cunard Steamship Company by £100,000.

(*b*) Unfavourable weather influences railway receipts, and a continuance of it will temporarily depress the value of railway shares. The effect is felt more in the passenger traffic than in the goods traffic, for passenger trains must run whether passengers be few or many.

(*c*) Strikes obviously exercise a depressing effect on Railway and Industrial shares.

(*d*) Inefficient Management of particular Companies reduces the value of the particular Companies' Securities.

(*e*) Where an estate consists, amongst other things, of a large quantity of a particular stock, the wholesale realisation of the stock, consequent upon the owner's death and the distribution of the estate, would temporarily depress the value of the stock so realised.

(*f*) The realisation of securities by Fire Insurance Companies in order to meet the claims arising from a disastrous fire or series of fires is not infrequently accompanied by a temporary decline in values.

(*g*) Ill-advised legislation.

Test Paper XXXI

1. Describe how a Contract is entered into on the London Stock Exchange.
2. Explain the use of "the Ticket" in recording transactions on the Exchange.
3. How are accounts settled on the Stock Exchange?
4. Describe how purchases and sales are carried over from one settlement to the next.
5. In what cases can a seller of securities sell out, and a buyer of securities buy in the same? Give illustrations.
6. What provisions are made by the Rules of the London Stock Exchange as to the formation of Partnerships among Members of the House?

7. Explain the following: Bearer Securities; Cover System; Exchequer Bills; Special Settlement; Time Bargains.

8. Describe the principal duties of the Official Assignee of the London Stock Exchange.

9. Explain the following: Scrip; Registered Coupons; Irredeemable Stock; Treasury Bonds; Backwardation.

10. Explain the difference between Stocks, Shares, Bonds and Debentures.

11. What is meant by closing a Bull or Bear Account?

12. How is a Put and Call Option effected?

13. Explain what is meant by "certifying a transfer."

14. Describe the difference between passing tickets and clearing stock.

15. What is the difference between brokers and jobbers? What are the arguments for and against the employment of jobbers?

16. What is the meaning of Ex-new, Ex-all, "takers in" and "givers on"?

17. What are "hammer" prices?

18. Describe the way in which a purchase of shares is entered into and carried through on the London Stock Exchange.

19. Describe briefly the procedure necessary to transfer British Funds by Attorney.

20. How could you distinguish between a speculative and a gaming transaction in relation to Stock Exchange dealings?

21. State generally what are the differences between a Bull and a Bear on the Stock Exchange. How may each carry over his transaction?

22. Explain the following: Redeemable Stock, Drawn Bonds, Making-up Prices, Share Warrants to Bearer, Jobber's Turn.

23. To what extent is an offer to buy Shares or Stock binding in a case of Registered Securities?

24. What do you understand by privity of contract between client and jobber?

25. State briefly the conditions required to be fulfilled by the Committee of the London Stock Exchange before granting quotations of shares of a new company in the official list.

26. What is the rule of the London Stock Exchange as to interest accrued in the case of bonds and debentures of Home, Colonial, and Foreign Railways?

27. State briefly the duties of the Official Assignee on the London Stock Exchange.

28. Explain the nature of the jobber's business on the London Stock Exchange.

29. What part of the routine of the London Stock Exchange is performed by the Settlement Department?

30. What is an Option? How is a "Put" option and a "Call" option carried through?

31. What do you understand by certifying a transfer?

32. "The London Stock Exchange does not recognise in its dealings any other parties than its own members." What does this mean?

33. Explain the following: Securities to Bearer; Difference Bargains; Sinking Fund; French Rentes; Registered Bonds.

34. What particulars in a contract note are required to be given by Leman's Act?

35. Explain why the amount mentioned in a "transfer" differs from the actual price received by the seller.

CHAPTER XXII

AFFREIGHTMENT; MARINE INSURANCE; PARTICULAR AVERAGE; GENERAL AVERAGE, &c.

Affreightment

Bill of Lading. When a person ships goods for the purpose of being carried to a destination over seas he enters into a contract with the shipowner to carry the goods, which contract is expressed in a document called a *Bill of Lading*. A shipowner is a common carrier, and liable for loss or injury to the goods or persons he carries. But his liability is restricted in both cases (*see* p. 504). Further his liability is restricted in numerous other ways. If the student will glance at the specimen Bill of Lading at the end of this section he will find that the shipowner does not accept liability in a large number of cases, and lays down many conditions which excuse him from liability in others. Altogether the shipowner is very well protected, and the extent of his protection is the measure of the owner's risk.

Charter-Party. A shipper who has a large quantity of goods to despatch may elect to forward his goods under a Charter instead of a Bill of Lading, *i.e.* he hires or charters a whole vessel either for the carriage of his own goods solely, or his own goods plus the goods of other shippers, for the carrying of which they pay freight to him, the charterer. The whole carrying-power of the vessel is thus at the disposal of the hirer or charterer, though the ship still remains under the control of the owner's captain, and the maintenance of the crew and ship's stores are matters for which the owners are responsble. The hiring or chartering agreement, entered into between the hirer of the vessel and the owners is called a *Charter-Party*, and if the student will consult the specimen at the end of this section he will perceive that here also there are many exceptions and

conditions the effect of which is to limit the liability of the owners of the vessel.

Kinds of Charters, &c. A Charter-Party may be either a *Voyage Charter*, *i.e.* for a particular voyage, or a *Time Charter*, *i.e.* for a particular period of time. If the student will examine Clause 20 of the Specimen Charter-Party, facing p. 506, he will see there a provision for loading the vessel at the rate of 200 tons per running day, &c., and for the payment of demurrage by the charterer to the owner at the rate of 4*d.* per ton gross register per day for every day the vessel is detained beyond the time necessary to load the vessel at the stated rate of progress.

Demurrage is thus a fine exacted for the detention of the vessel beyond the time allowed for loading.

Lay Days are the days during which the process of loading is proceeding (*see* C/P, clause 26).

Contract of Affreightment. The Bill of Lading or the Charter-Party is called the *Contract of Affreightment*. Both a Bill of Lading and a Charter-Party must be stamped with a 6*d.* stamp.

Freight. The consideration paid to a shipowner for carrying goods or leasing his ship is termed *Freight*. The word is also used to designate the actual goods carried. Freight under a B/L is usually paid in advance; under a C/P it is usually paid at the port of destination. In both cases the shipowner has a lien on the goods for the payment of the freight. A Bill of Lading is, as already explained, a document of title. It may be transferred from one person to another by endorsement and delivery, and the possession of the B/L is tantamount to possession of the goods. It has already been shown that a merchant frequently raises funds on a shipment of goods by depositing with a bank a B/E drawn upon the consignee, to which the B/L endorsed to the bank is attached.

Need for Insurance. Seeing, then, that the shipper, both under a B/L and under a C/P, runs considerable risks of loss in respect of his shipments, it becomes necessary that he should increase his protection. The owner of a vessel, too, runs the risk of loss or damage to his ship and partial or total loss of the freight earned by carrying goods; so he also must see that his position is safeguarded. This is done by taking out a policy of Marine Insurance. It is important that the shipper or charterer should see that where the shipowner's liability ends the liability of the insurer should begin, so that in any event he (the shipper or charterer) should be indemnified

in respect of all losses that may arise. Hence the terms of the B/L and the Charter-Party should be carefully considered in the light of the Insurance Policy and *vice versa*.

Marine Insurance

Taking out a Policy. Marine Insurance may be effected in two ways. A Policy may be taken out direct with any of the large joint stock insurance companies transacting Marine Insurance business. Such a policy is called a *Company Policy*. Or it may be effected through persons called underwriters, who are members of Lloyd's (*see* p. 480), when it is called a *Lloyd's Policy*. The wording of these Policies differs in some respects (Lloyd's form of Policy is given on pp. 483–4), and the procedure to be followed when dealing with a company or with Lloyd's also varies. The joint stock companies are wealthy corporations, and will frequently insure risks involving very large amounts. They may possibly afterwards reinsure portions or even the whole of the risk with members of Lloyd's or with other companies, but initially they are prepared to take over the whole of the risk, and the intervention of an insurance broker is not necessary. But in the case of Lloyd's an insurance broker must be employed, and the individual underwriters of Lloyd's will generally only assure relatively small portions of the risk, *e.g.* suppose a shipper wishes to insure a shipment value £20,000 from Liverpool to New York, he applies to one of the insurance brokers, who quotes a rate, and if the rate is accepted, proceeds to draw up particulars of the proposed insurance. The memorandum containing these particulars is called the *Slip*. The broker goes to the underwriters' room at Lloyd's, and submits the slip to different underwriters, who, if they decide to accept a share of the risk, write down the amount they are prepared to insure and initial the slip. This procedure is continued till the whole of the £20,000 has been underwritten. Possibly there may be twenty to thirty underwriters who accept liability for stated sums, the aggregate of the different liabilities amounting to £20,000. When the slip is fully underwritten the broker prepares the Policy on a Lloyd's form, transfers the names and amounts from the slip to the Policy, and obtains the signatures of the underwriters to the respective amounts they have agreed, by initialling the slip, to insure or underwrite. The Policy is then duly stamped and handed to the shipper in exchange for

the premium stated in the Policy, which the broker afterwards distributes amongst the underwriters *pro rata* according to the amounts they have underwritten. Usually the Policy is not handed to the assured till the ship or other subject-matter of the insurance is on its voyage. But the slip is binding upon the underwriters who have initialled it. So also is the *Covering Note* issued by a company prior to the delivery of the actual Policy.

Lloyd's is an incorporated society, but does not in its corporate capacity undertake insurance business. That is the work of its members. Each candidate for membership must satisfy the committee that he is possessed of sufficient means to undertake insurance business, and must deposit with the committee a large sum of money as a guarantee that he will fulfil his obligations. The underwriters at Lloyd's will not only undertake to insure marine risks but many other risks as well, *e.g.* they will insure a tea merchant against the loss attendant upon a change in the duty imposed by the Government, or against the chances of a particular political party being returned to power at a general election. In its corporate capacity Lloyd's fulfils many functions of the highest possible usefulness not only to underwriters but to all who have any interest in the shipping business, including economists, &c. Lloyd's maintains signal-stations and agencies all over the world, from which the movements of different ships are regularly transmitted to headquarters. This information is published daily in *Lloyd's List*. In addition to this list the association issue a classified *Register of British & Foreign Shipping*, wherein ships are divided into different classes in respect of their seaworthiness, viz. *A*1; 90 *A*1; 80 *A*1—A1 denoting ships of the first class, 90 A1, ships of the lower class, and 80 A1, ships of the lowest class. Naturally *the rate of premium* charged for insuring vessels and goods carried in them is lower in the case of vessels of the A1 class than for those of the 90 A1 or the 80 A1 classes. The rate of premium also varies with the way the goods are packed. Goods packed in a soldered zinc case and then in a wooden case, or "*wood & zinc*" as it is called, are less liable to damage by sea-water than goods packed in oil-baize and wood, and these again less than those packed in wood only. Lloyd's also issue annual statistics of the ship-building and ship-repairing industries. Thus the underwriters who are members of Lloyd's have full opportunities for obtaining all information necessary to guide them in accepting risks

Nature of the Contract. The contract of Marine Insurance is a contract of indemnity. In fire insurance the indemnity is, speaking generally, limited to the actual loss sustained; in marine insurance it is ordinarily based on values agreed upon in advance, which may be greater or less than the values at risk. In consideration of the payment of a sum called the *Premium*, the underwriter agrees to indemnify the assured against loss or damage caused by certain specified perils, sometimes called perils of the sea, but more accurately described as "perils insured against," as some of the risks insured against are not sea risks at all.

The Policy. The document embodying the contract of insurance is called the Policy, and it has been described as "a contract of indemnity against all losses accruing to the subject-matter of the policy from certain perils during the adventure." It is an antiquated document scarcely suited to the requirements of modern commerce, but its wording and terms have been so subjected to legal decisions, that the meaning which the Courts attach to almost every word of it is known. It is a document capable of assignment by the person in whose name the insurance has been effected to another person who may be interested therein, the assignment being merely by endorsement and delivery. To be valid the policy must be duly stamped.

Stamping Policies. *Voyage Policies*: 1*d.* for each £100 assured or part thereof. Where however the premium is 2/6 per cent. or less, the duty is 1*d.* for both Voyage and Time Policies without regard to the amount.

Time Policies not exceeding six months, 3*d.* for each £100 assured or part thereof; exceeding six months, but not exceeding twelve months, 6*d.* for each £100 or part thereof.

If the policy is for a voyage and a period after arrival not exceeding thirty days, it is stamped as a Voyage policy; exceeding thirty days it is stamped both as a Voyage and a Time policy.

No policy may be effected for a period exceeding twelve months. Policies issued abroad and made payable in the United Kingdom must be stamped as above within ten days after their receipt into the United Kingdom.

Kinds of Policies. Marine policies, though usually in one form, are of different kinds known by different names.

Interest Policy. One which shows clearly that the assured has a specific local interest at risk, *e.g.* 50 bales wool; 1000 bags rice, &c.

Voyage Policy. One in which the limits of the risk are defined by termini or places, the subject-matter being insured, *e.g.* for a particular voyage, say from London to Bombay, New York to Liverpool, &c.

Time Policy. One which expresses the insurance of the subject-matter for a specified period of time, *e.g.* "Noon 1st January 1909 to noon 1st January 1910." This sort of Policy is usually resorted to in the case of hulls, &c., of vessels, though sometimes vessels are insured for each separate voyage under a voyage policy.

Value Policy. One in which an agreed value (not necessarily the actual value) of the thing assured is inserted in the Policy, as on goods valued at £1000, or on hull, &c., valued at £10,000.

Open or Unvalued Policy. One in which the value of the subject-matter is not stated but left to be proved. This kind is not frequently met with. The term Open Policy is now usually given to a Floating Policy.

Floating Policy. One in which no name of any special vessel is mentioned, it being stated to apply or "attach" to any "ship or ships," "steamer or steamers," to be declared for a specified voyage. A regular shipper of goods, say to Hong Kong, by the P. & O. Company's steamers, instead of insuring each fortnightly shipment under a separate policy, would take out a floating policy say for £20,000. As each shipment is made, its value, and other necessary particulars are declared to the broker, and the amount of the declaration is written off the policy. This goes on until the amount of the declarations equals the face value of the policy when a fresh floating policy is taken out. The student is referred to a detailed correspondence on this subject in my book "Modern Commercial Correspondence," pp. 185–188.

Wager Policy. One in which the insured has no insurable interest at stake, or one in regard to which the underwriter is willing to dispense with any proof of interest, the words "Policy proof of Interest" (P.P.I. Policies), "Interest or no interest" or other like expressions being inserted in the policy for this purpose. Wager Policies are void according to the Marine Insurance Act, but they continue to be executed, and though valueless in a Court of Law, they, like other affairs of honour (the policies are sometimes termed Honour Policies), are treated with great respect as between underwriter and assured. But Policy Proof of Interest Policies are frequently mere gambling transactions and a Bill has recently been

COPY OF LLOYD'S FORM OF POLICY

Be it known that

as well in own Name, as for and in the Name and Names of all and every other Person or Persons to whom the same doth, may, or shall appertain, in part or in all, doth make assurance and cause and them and every of them to be insured, lost or not lost, at and from

S.G.

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upon any kind of Goods and Merchandises, and also upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat and other Furniture, of and in the good Ship or Vessel called the

whereof is Master, under God, for this present voyage,
or whosoever else shall go for Master in the said Ship, or by whatsoever other Name or Names the same Ship, or the Master thereof, is or shall be named or called, beginning the adventure upon the said Goods and Merchandises from the loading thereof aboard the said Ship

upon the said Ship, etc.,
and shall so continue and endure during her Abode there, upon the said Ship, etc. ; and further, until the said Ship, with all her Ordnance, Tackle, Apparel, etc., and Goods and Merchandises whatsoever shall be arrived at

upon the said Ship, etc., until she hath moored at Anchor Twenty-four Hours in good Safety, and upon the Goods and Merchandises until the same be there discharged and safely landed ; and it shall be lawful for the said Ship, etc., in this Voyage to proceed and sail to and touch and stay at any Ports or Places whatsoever

without Prejudice to this Insurance. The said Ship, etc., Goods and Merchandises, etc., for so much as concerns the Assured by Agreement between the Assured and Assurers in this Policy, are and shall be valued at

Touching the Adventures and Perils which we the Assurers are contented to bear and do take upon us in this Voyage, they are, of the Seas, Men-of-War, Fire, Enemies, Pirates, Rovers, Thieves, Jettisons, Letters of Mart and Countermart, Surprisals, Takings at Sea, Arrests, Restraints, and Detainments of all Kings, Princes, and People, of what Nation, Condition, or Quality soever, Barratry of the Master and Mariners, and of all other Perils, Losses, and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the said Goods and Merchandises and Ship, etc., or any part thereof; and in case of any Loss or Misfortune, it shall be lawful to the Assured, their Factors, Servants and Assigns, to sue, labour, and travel for, in, and about the Defence, Safeguard and Recovery of the said Goods and Merchandises and Ship, etc., or any part thereof, without Prejudice to this Insurance; to the Charges whereof we, the Assurers, will contribute, each one according to the Rate and Quantity of his sum herein assured. And it is especially declared and agreed that no acts of the Insurer or Insured in recovering, saving, or preserving the property insured, shall be considered as a waiver or acceptance of abandonment. And it is agreed by us, the Insurers, that this Writing or Policy of Assurance shall be of as much Force and Effect as the surest Writing or Policy of Assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London.

Warranted nevertheless free of capture, seizure and detention, and the consequences thereof, or of any attempt thereat, piracy excepted, and also from all consequences of hostilities or warlike operations, whether before or after declaration of war.

And so we the Assurers are contented, and do hereby promise and bind ourselves, each one for his own part, our Heirs, Executors, and Goods, to the Assured, their Executors, Administrators, and Assigns, for the true Performance of the Premises, confessing ourselves paid the Consideration due unto us for this Assurance by the Assured

at and after the Rate of

IN WITNESS whereof, we the Assurers have subscribed our Names and Sums assured in

N.B.—Corn, Fish, Salt, Fruit, Flour, and Seed are warranted free from Average, unless general, or the Ship be stranded; Sugar, Tobacco, Hemp, Flax, Hides, and Skins are warranted free from Average under Five Pounds per Cent.; and all other Goods, also the Ship and Freight, are warranted free from Average under Three Pounds per Cent., unless general, or the Ship be stranded.

passed, eliminating the less desirable features from this kind of insurance.

Good Faith. Misrepresentation. The essential feature of a contract of Marine Insurance, as indeed of all contracts, is good faith. Fraud at once invalidates the insurance, and deprives the party committing it of all his rights under the contract. A full disclosure of all the facts concerning the risk must be made to the underwriter by the insured. Any concealment of material facts invalidates the insurance. Misrepresentation is equally fatal, but if the misrepresentation do not amount to moral fraud, the insured is entitled to the return of the premium paid.

Implied Warranties. To render a Marine Insurance Contract valid two conditions must be complied with. They are unexpressed but tacitly understood, and therefore termed *Implied Warranties*. The one is *Seaworthiness* and the other *Legality*. In every Voyage Policy on hull and cargo there is an implied warranty that at the beginning of the voyage the vessel shall be reasonably fit in all respects to encounter the ordinary perils of the adventure insured, that she shall not be overloaded or undermanned, that her officers and crew shall be efficient, that her cargo shall be properly stowed, and that she shall be cargo-worthy, *i.e.* reasonably fit to carry the cargo to the destination contemplated by the Policy. If the voyage be divisible into distinct stages then the vessel must satisfy the condition of seaworthiness at the beginning of each stage. By *Legality* is meant that the adventure shall be legal, *e.g.* an insurance to cover the risk of smuggling is void, so also is an insurance to cover the risk of British capture in time of war.

Phraseology of the Policy. After the words "*Be it known that*," the name of the insured or his agent must be inserted. The person who effects an insurance must have an "insurable interest" in the thing insured, *i.e.* he must have "benefit from its existence, prejudice by its destruction." Such person may be (1) the owner or part-owner of the property, (2) shippers and agents, (3) a mortgagee of a vessel, (4) a trustee or bailee, (5) an agent insuring on behalf of his principal, (6) an underwriter in respect of the risks he has underwritten and which he may wish to re-insure.

"*As well in his or their own name . . . them to be insured.*" This wording provides not only for the assignment of the Policy, but also enables any person who, during the currency of the risk, may have acquired an insurable interest in the subject-matter of the insurance,

to avail himself of the protection of the Policy by subsequent adoption: and this adoption may take place *after*, as well as before, the happening of any loss.

"*Lost or not Lost.*" The effect of these words is retrospective, *i.e.* they entitle a merchant whose goods are exposed to the danger of the seas to the protection of the Policy before he has knowledge of the fact, *e.g.* goods may be shipped on a merchant's account, and the advice of shipment not reach him till the goods had been twenty-four hours or more on the high seas. These words do not apply to Open or Floating policies.

"*At and From.*" "From" a port means after the vessel has left that port. "At and from" while the vessel remains at the port and after she has left the port. After the words "at and from," the voyage is inserted. It should be accurately specified. In "time" policies the exact date and hour of the beginning and termination of the risk are stated. The underwriters assume that the ordinary track of the voyage will be followed. If it is not intended to follow the ordinary route, the fact must be communicated. A departure from the ordinary route is termed a *Deviation*, and deviation releases the underwriters from liability as from the time of the deviation, and notwithstanding that if an accident happened it happened *after* the vessel had regained her true course. Deviation may be permitted if it be expressed in the Policy, or is justifiable on any of the grounds mentioned in the next paragraph.

The following are typical examples of Deviation: (1) Going to a port not named in the policy or justified by custom; (2) visiting ports in an order different from that which the policy defines; (3) where the insurance is to a district comprising several ports, taking them in non-customary order, or in other than their natural order; (4) staying to trade where the language of the policy implies no such liberty; (5) calling at places for purposes without the scope of the voyage; (6) improper delay in prosecuting the voyage. *Deviation is allowed* (1) where authorised by any special term in the Policy, *e.g.* by a *Deviation and / or Change of Voyage Clause* of which the following is a usual form:

> "In the event of deviation and / or change of voyage the assured to be held covered at a premium to be arranged provided due notice be given on receipt of advice."

Deviation is also allowed (2) where caused by circumstances beyond the control of the master and his employer, *e.g.* the vessel

being blown out of its course by tempest, (3) where necessary in order to comply with a warranty expressed or implied, (4) for the safety of the ship, (5) for the purpose of saving life, or obtaining medical or surgical assistance, (6) where the deviation has been caused by the barratry of the master or crew, if barratry be one of the perils insured against.

"*Upon any kind of goods . . . ship or vessel called the* ." This antiquated wording now serves no useful purpose. The subject-matter of the insurance is described after the valuation clause (*see* p. 488). The name of the vessel should be inserted after these words. The vessel can only be changed with the consent of the underwriters, except when disaster to the original vessel necessitates trans-shipment of the goods insured.

"*Whereof is Master . . . in the said Ship.*" The name of the master is seldom inserted. The wording provides for the substitution of one master for another, if the master originally named should for any reason be unable to command the ship.

"*Or by whatsoever other name . . . named or called.*" These words provide for innocent errors in the name of the vessel or the master, but if such errors have misled the underwriters the insurance is void.

"*And upon the goods . . . and safely landed.*" The commencement of the risk on a *hull* has already been indicated when explaining the words "at and from." The commencement of the risk on *goods* and *freight* begins immediately the goods are on board, except where a special clause is added including "risk of craft to and from a vessel."

"*Upon the said ship . . . in good safety.*" These words indicate the time of termination of the risk on hull, &c.

The words "*and upon the goods . . . and safely landed.*" The time of termination of the risk on goods and freight.

In Company Policies the words "*including risk of craft to and from a vessel*" always appear. The effect of the words is to protect the insured against the risk of loss or damage when loading or unloading is effected by lighter. Lloyd's policy protects the shipper against loss or damage in unloading by craft, as will be seen above, and usually a clause is added in writing to a Lloyd's policy on goods protecting the shipper in the case of loading by craft.

"*And it shall be lawful . . . without prejudice to this insurance.*" This clause is known as the "*Touch and Stay Clause*," but it gives

no permission for deviation. The ports must be in the ordinary course of the voyage, and be called at for a justifiable purpose connected with the adventure.

"*The said ship, &c. . . . are and shall be valued at.*" The space which follows is for the insertion of the valuation as between underwriters and assured. After it has been agreed it cannot be altered, unless it is so much in excess of the real value of the thing assured as to amount to fraud, or unless it is a proved innocent mistake. It is usual also to insert here a description of the subject-matter—*e.g.* hull, merchandise, freight, bullion, &c.

"*Touching the Perils, &c. . . . they are of, &c.* The risks here enumerated are divided into two classes: (1) *Total loss;* (2) *average.* Both of these will be treated later.

"*Perils of the sea.*" This term does not cover ordinary wear and tear incidental to carriage by sea.

"*Fire*" is a peril insured against provided it does not arise from a cause for which the assured himself is responsible.

"*Men-of-war, enemies,*" includes all damage or loss arising from the hostile acts of an enemy, including capture, one of the most common of hostile acts.

"*Pirates and Rovers.*" These words cover losses from marauders plundering for personal ends, as opposed to persons authorised to do so by Governments.

"*Thieves*" refers to forcible or violent robbery, not mere pilferage which the master's diligence could prevent.

"*Jettison,*" *i.e.* the throwing overboard a part of the cargo or other article on board ship, cutting and casting away masts, &c., for the purpose of lightening a ship in case of necessity; but cargo jettisoned because of "inherent vice," *e.g.* a cargo of fruit that has become rotten through a protracted voyage, is not included in the meaning of this word.

"*Letters of Mart and Countermart,*" sometimes termed *Letters of Marque,* is a commission granted by Governments empowering the holders to make reprisals on an enemy's shipping for losses inflicted on the ships of the country granting the letters.

"*Letters of Countermart*" were a kind of answer to "letters of mart," authorising resistance to holders of "letters of mart."

"*Surprisals and Takings at Sea.*" These words are synonymous with the word "Capture."

"*Arrests, Restraints, Detainments, &c. . . . conditions or quality*

soever." The words arrests, restraints, and detainments appear to be synonymous in meaning.

"*Barratry of the Master and Mariners.*" The term "Barratry" includes every wrongful act wilfully committed by the master or crew to the prejudice of the owner or charterer of the ship, as the case may be. The act must have been committed without the connivance or privity of the owner or charterer. Examples of barratry are: wrongfully scuttling a ship, running her ashore, setting fire to her, fraudulently selling the ship or cargo and appropriating the proceeds.

"*And of all other perils, &c. . . . merchandise and ship, &c.*" These words do not mean any kind of perils, losses, &c., but only perils, losses, &c., of like kind to those previously specified.

"*And in case, &c. . . . of the sum herein assured.*" This clause is known as the "*Sue and Labour Clause.*" An insured person must act as though he were uninsured, and the underwriters agree that in the event of an insured person incurring any expense to mitigate the loss to which the subject-matter of the insurance is exposed, they (the underwriters) will pay their share in proportion to the amount which their policy or their subscriptions bear to the total insured value —*i.e.* if the whole value is insured under the policy the underwriters will pay the whole of the "sue and labour" charges. General average and salvage do not come within this clause.

"*And it is especially declared, &c. . . . waiver or acceptance of abandonment.*" This is called the "*Waiver*" clause, and is a provision that, in the event of a casualty, either the underwriters or the insured may take such steps or incur such expenses as are contemplated under the sue and labour clause to minimise the loss, without prejudice to the rights of either party.

"*And so we, the assurers . . . at and after the rate of . . .*" In these words the underwriters acknowledge the receipt of the consideration or premium for the risk they undertake. They do not, however, usually receive the premium till some days after the execution of the policy. But the insertion of the words here prevents the underwriters from raising any question relative to the premium—the consideration due to them. If the broker to whom the premium had been paid were to go bankrupt before he had paid it over to the underwriters, the latter, in the event of loss, would have to pay the loss without setting off the premium.

"*N.B. Corn, Fish, Salt, Fruit, &c. . . . or the ship be stranded,*"

These words constitute what is called "*the Memorandum*," and have reference to the limitations of the underwriters' liability in respect of particular average (*see* p. 492).

"*Warranted nevertheless Free of Capture, &c. . . . after Declaration of war.*" This is known as the *F. C. & S.* or *Free of Capture and Seizure Clause.* These risks of Capture, Seizure and Detention are frequently excluded from the contract, especially in war-time, and this clause effects the exclusion. It was originally *attached* to the Policy as an overriding clause, but now appears *printed* in the Policy. If the risks are intended to be borne by the underwriters this part of the Policy is ruled through.

"Causa Proxima." In order that the underwriters should be liable for any loss it is not only necessary that the loss should have arisen from a peril insured against, but also that the peril should have been the *proximate* cause of the loss and that the loss should not have been caused by the fault or misconduct of the insured. It was laid down in the case of *Pink* v. *Fleming* that: "When a result has been brought about by two causes, you must, in Marine Insurance Law, look only to the nearest cause, although the result would, no doubt, not have happened without the remote cause." This principle, namely, that the proximate and not the remote cause is to be looked to in order to determine whether or not the liability attaches to the underwriters is rigorously applied to the contract. Thus a cargo of oranges was insured, warranted free from partial loss or damage unless consequent upon collision. The vessel was in collision, and had to put into port for repairs. To effect the repairs the fruit had to be put into lighters and it was afterwards reloaded. At the end of the ship's destination the fruit was found to be damaged, partly the effect of the lightering and reloading, and partly from its perishable nature. Was the fruit damaged in consequence of the collision or not? It was decided that the proximate cause of the loss was the handling of the fruit, the remote cause was the collision, and judgment was given for the underwriters.

Actual and Constructive Total Loss. Total losses may be (1) actual; (2) constructive. Insurance against "total loss only" includes the risk both of actual total loss and constructive total loss.

Actual Total Loss occurs where the subject-matter insured is destroyed or so damaged as to cease to be a thing of the kind insured, or where the insured is irretrievably deprived thereof.

Samples of actual total loss are: (1) Hides so damaged by sea-water as to become putrid and valueless as hides; (2) Foundering at sea; (3) A vessel posted at Lloyd's "as missing."

Constructive Total Loss occurs when the subject-matter insured is reasonably abandoned on account of its actual total loss appearing to be unavoidable, or because it could not be preserved from actual loss without an expenditure which would exceed its value when preserved. Examples are: (1) When the insured is deprived of his ship or goods by a peril insured against, and the cost of recovering them would be more than the value when recovered, or when it is unlikely that the ship or goods can be recovered; (2) when, in the case of damage to a ship, the cost of repairing the damage would be more than the worth of the ship when repaired; (3) when, in the case of damage to goods, the cost of reconditioning and of forwarding the goods to their destination would exceed their value on arrival; (4) when, in the case of freight, the ship or goods are so damaged by a peril insured against that an actual loss of the freight can only be prevented by incurring an expenditure exceeding in amount the freight that would thereby be earned.

Take the following example:

If the estimated cost of repairing a stranded ship be	£7000
And the estimated proportion of expenses getting her off the rocks and into a port of safety be	£3000
Total Expenses . . .	£10,000
And the value of the ship when repaired would be	£9000

There is a clear case here of Constructive Total Loss of ship. In ascertaining whether or not there is a claim for Constructive Total Loss of ship the insured value is taken as the repaired value. This is provided for by the "*Valuation Clause.*" If, in the above example, the insured value had been taken as the repaired value and the insured value were £11,000, there would have been no claim for Constructive Total Loss.

Ship's Protest. In the case of a claim for Actual Total Loss, where any of the crew are saved, the claim must be supported by a detailed account of the casualty, and sworn before a Notary or

Consul. In the case of goods the Invoice and Bills of Lading relating thereto are required by the underwriter as evidence that the insurance was *bonâ fide*, and the goods actually on board. The Policy must also be produced, and is usually retained by the underwriter after he has settled the claim.

Notice of Abandonment. In the case of Constructive Total Loss the insured must give the underwriter notice of abandonment. An abandonment is the surrendering to the underwriter of the interest of the insured in whatever may remain of the subject-matter of the insurance, together with all proprietary rights incidental thereto, at the same time claiming from him a total loss. No special form of wording is required for the Notice, but it is usual for the word "abandon" to appear in it. The following is a common form:

> "The ss. having, as is reported, been wrecked off Dungeness, I hereby abandon to the underwriters my interest in the 5 Cases Woollens, shipped in the same vessel, and claim payment from you in respect of the insurance of £150 on the said goods." (Addressed to the Insurance Broker.)

The notice of abandonment must be given immediately the insured is in possession of sufficient details of the happening of the casualty to enable him to form an opinion of the situation. If the underwriter accepts the abandonment he pays a total loss, and realises what he can on the property abandoned. But he usually declines, and the insurer must then legalise the abandonment by issuing a writ against the underwriter, and it is the state of things existing at the time the writ is issued which determines whether or not a Constructive Total Loss has occurred. As a rule, an underwriter upon declining to accept total abandonment agrees to place the insured in the same position as if a writ had been issued at the time he makes his refusal, although the writ could not be issued until after the refusal had been known to the insurer.

Particular Average

A vessel may meet with violent weather, and sustain serious damage from the heavy seas. Such damage is a Particular Average on ship. If during the heavy weather water got into the hold and damaged the cargo, the damage is Particular Average on cargo. Further, if the cargo were sugar and the sea water caused, say, a quarter of it to

dissolve, the shipowner would lose a quarter of the freight. Such loss is Particular Average on freight.

Particular Average on Ship. The underwriter's liability in this case is the actual cost of repairing the damage, less deductions because of his using new material to replace old (one-third or one-sixth, as the case may be) unless, as is now usual, the policy provides that the Average shall be paid in full without deduction "new for old." In settling claims for Particular Average on ship, no attention is paid to the insured value of the vessel. The reasonable, actual outlay for repairs is the basis of the claim provided of course the outlay does not exceed the insured value. The repairs must be prudently effected and at reasonable cost—the total amount for which the underwriters are liable, being determined by reference to, and rigorous scrutiny of, the repair bills. The underwriter is not liable for ordinary wear and tear.

Particular Average on Cargo. When cargo arrives partially damaged by perils insured against the depreciation is assessed: (1) by brokers who give certificates stating the nature of the damage, and the value that the goods would have had if they had arrived sound, and the value they possess damaged, or (2) the depreciation is expressed at so much per cent., or (3) it is ascertained by public auction of the damaged goods. The difference between the gross sound value and the gross proceeds is the amount of the depreciation, and is usually shown as a percentage of the sound value. The gross values are taken so as to avoid the influence of market fluctuations on the amount of the loss, and because, if the net values were compared, the ratio of depreciation would be greater in the case of the net than in the case of the gross value, *e.g.*

Gross.		*Net.*		
Gross sound value	£100	Gross sound value	£100	
,, proceeds	50	Less charges	10	
Loss	£50			£90
Depreciation 50 per cent.		Gross proceeds	£50	
		Less charges	10	
				£40
		Loss		£50
		Depreciation $55\frac{1}{2}$ per cent. on net sound value of £90.		

In the case of Particular Average on ship the insured value of the ship is not taken into account, but in the case of Particular Average

on cargo the insured value of the cargo is taken into account. If, in the above case, the goods had been insured for £100 the underwriter would have been liable for 50 per cent. of £100 = £50. If, however, the goods had only been insured for £80 the underwriter would not have been liable for more than £40. When a shipment, say, of 100 bales wool, is insured for £1000 and valued in the policy at £10 per bale, the insured value of each bale is apparent, but if the wool had been valued at £1000 and 5 bales only were damaged, the insured value of the 5 bales is ascertained by a comparison of the invoice values, or the realised values disclosed by the Account Sales, with the insured value, on the basis of a rule of three sum.

Particular Average on Freight. Freight is the money payable for the hire of a vessel, or for the conveyance of cargo from one port to another. Freight obviously cannot depreciate in value as can a vessel or goods. Therefore there must be a partial loss of it to constitute particular average on freight. English law, differing from the law of most foreign nations, does not recognise *pro rata* or "distance" freight, *i.e.* freight proportionate to the mileage actually accomplished on the voyage; and where a shipowner is prevented from delivering the cargo at the port of destination, he cannot require the shipper to pay anything for the portion of the voyage which the vessel has performed. When freight is payable in advance the shipowner has no insurable interest in it. But the merchant or charterer who paid it has. Hence, when a merchant insures goods he includes a valuation of the freight he has paid in advance. The fact of this inclusion should, as a rule, be indicated in the Policy by some such wording as "On goods valued at £ (including £ advanced freight)." When the insured value includes advanced freight, the Courts treat the Policy as being "on goods" and not separately "on goods and freight."

The Memorandum. "*N.B. Corn, Fish . . . . or the ship be stranded.*" The Memorandum provides a minimum limit to the underwriter's liability in respect of claims for Particular Average, unless the ship be stranded; and it has become usual to add thereto the words, "sunk or burnt," and sometimes also the words, "or on fire, or the damage be caused by collision with another ship or vessel." The object of the Memorandum is to exempt underwriters from a crop of small claims for Particular Average in respect of deterioration or damage, which may very possibly have

arisen not from a peril insured against but from "wear and tear," the nature of the goods carried, or through negligence on the part of the shippers. The percentages mentioned in the Memorandum are not the same as the "Franchises" in continental insurances, because the underwriter pays the whole of the loss if it exceed the stipulated percentages, not merely the excess of the percentage as in the case of a "Franchise." The articles mentioned are to be understood in their mercantile sense. The word "Corn" includes Peas, Beans and Malt, but it does not include Rice. Salt does not include Saltpetre. Average in "average unless general" means Particular Average. "Unless" = except—so that the last part of the Memorandum may be expressed as follows: "And all other goods, also the ship and freight, are warranted free from particular average under three pounds per cent., except general average, or unless the ship be stranded."

Stranding. A vessel is stranded when she comes in contact with the ground or other obstruction and remains hard and fast upon it. The grounding must be accidental and unusual. If a vessel takes the ground in an accustomed place and manner, *e.g.* in a tidal harbour, there is no stranding. It must be in an unusual place and in an unusual manner. Also the vessel must remain hard and fast upon the obstruction.

Sunk or Burnt. These words are sometimes added after the word "Stranded." The word sunk is a surplusage, for every sunk ship is a stranded ship. *Burnt* means that the burning must be of such an extent that the vessel must be considered a burnt ship, and not a mere technical burning, *e.g.* the burning of a few beams. The words "or on fire" are sometimes added to the word "Burnt" to mitigate the strictness of this exception.

"*Or in Collision.*" The collision must be with another vessel and not with dock-gates and the like.

Average Clauses, Series, and Separate Valuations. The percentages mentioned in the Memorandum are low, but in cases of vessels of high value and of valuable cargoes the loss would have to be considerable in amount to exceed the percentages, *e.g.* a vessel valued at £100,000 would have to incur damage to the extent of £3000 before a claim would be entertained, and so also with a cargo of one kind comprised under one valuation. In order to lessen the severity in this respect provisos were inserted in Policies on hulls, &c., for separate valuation of the hull, machinery, fittings,

&c., average being "payable on each valuation separately or on the whole." Similarly cargoes were considered to be divided into smaller divisions known as *series*, and if the damage on any series exceed the percentage the Average is payable on that series. The average clause varies with the goods insured, *e.g.* cotton pays average on every 10 bales; tea on each 10 chests, 20 $\frac{1}{2}$-chests, or 40 boxes; wool from Australia on each bale; indigo on each package; cocoa on 10 bags, &c. The average clause usually stipulates that "series" shall be computed on the basis of "following landing numbers," *i.e.* the order in which they are landed. Usually, however, the damaged packages are set aside when landing cargo, and all appear together at the end of the dock landing account. Where a shipment is not exactly divisible into complete sets of series, *e.g.* 53 bags of cocoa, the last series, called a *tail series*, would consist of 3 bags only. This tail series is considered as a complete series, and, if the percentage of loss on the 3 bags reached the required limit, average would be payable though the required percentage on 10 bags had not been reached.

General Average

General Average is independent of Marine Insurance. It formed part of the Rhodian Law, and was in existence centuries before Marine Insurance came into vogue. When any extraordinary sacrifice or expenditure is voluntarily and reasonably made or incurred in time of peril for the purpose of preserving the property imperilled in the common adventure, it is termed a *General Average Act*, and when a General Average Act takes place the loss caused directly or indirectly thereby is termed a *General Average Loss*. Whenever a General Average Loss occurs the party on whom it falls is, subject to the conditions imposed by maritime law, entitled to a rateable contribution from the other parties interested in the adventure, and such a contribution is called a *General Average Contribution*.

Essential Features. The losses occasioning General Average Contributions are of two kinds: (1) Sacrifice of Property, (2) Expenditure. The essential features necessary to a General Average Contribution are: (1) The loss must be voluntary, *i.e.* intentional on the part of man and not accidental; (2) it must be reasonably and prudently made; (3) extraordinary in its nature; (4) it must

be made with no other and no less an object than the securing of the common safety of ship and cargo; (5) the loss must be the direct result of the consequence of a General Average act. Examples of General Average Loss are:

(1) **Sacrifice of Ship.** The voluntary destruction by the Master of any part of the ship, or the putting of her appurtenances or appliances to a use for which they were not intended at the risk of destroying or injuring them, *e.g.* using a sail to stop a leak, cutting away masts and spars, scuttling a vessel to admit water in order to extinguish fire. *Amount to be made good* (*Ship.*) The reasonable cost of repairs less (if any) usual deductions "new for old."

(2) **Sacrifice of Cargo and Freight.** Jettison of cargo, cargo burnt for fuel when the coal supply has run out, provided the original supply of coal was sufficient for the voyage. When the sacrifice of cargo involves a loss of freight, the freight so lost is made good in General Average. *Amount to be made good* (*Cargo*). The amount to be made good is the net value which the goods jettisoned or sacrificed would have had on the day of discharge at the port of destination if they had arrived there, less the expenses which would have been incurred on arrival of the goods, *e.g.* freight, discount, duty, landing and sale charges. But when the goods remaining on board arrive at the port of destination in a damaged condition, owing to causes which would have equally affected the jettisoned goods had they not been sacrificed, then the allowance in General Average is based on the estimated value the goods would have realised at destination damaged to the same extent as the other cargo, and the amount to be made good on damaged goods is ascertained by comparing the net proceeds with the net proceeds they would have realised had they been sound. *Amount to be made good* (*Freight*). Prepaid freight is merged in the value of the goods. The amount to be allowed is the gross freight which would have been earned had the goods not been sacrificed, less those charges which the shipowner would have incurred to earn the freight, but which in consequence of the sacrifice he has not incurred.

Expenditure. All extraordinary expenditure properly incurred in time of peril for the joint preservation of ship and cargo is subject to G/A contribution, *e.g.* expense of putting into port for the common safety, towage, port charges, pilotage, harbour dues, discharging cargo in order to effect repairs, cost of reloading, shore labour, if necessary. A vessel may have to put into port for two

reasons: (1) Through accident, *e.g.* the loss of a propeller—a P/A loss, or (2) through a sacrifice, *e.g.* the breaking of a propeller and damage to machinery caused by working engines in order to refloat a stranded vessel—a G/A sacrifice. If the vessel seek port on account of a P/A loss the cost of putting into port, and if necessary of discharging cargo to effect repairs, *i.e.* the expenses necessary to attain safety, are allowed in G/A, but warehouse rent of cargo is a particular charge on cargo, and outward port charges a particular charge on freight, because these expenses would have been incurred after safety had been secured.

In the case of a G/A sacrifice *all* expenses are allowed. English law in this respect differs from Continental law—English law recognising the "attainment of safety," Continental law, "completion of the adventure" or "general benefit."

Substituted Expenses. It may happen that a vessel which has sought a port of safety as the result of a P/A loss could be towed to her port of destination at a less cost than would be involved in discharging, warehousing and reloading her cargo in order to effect the necessary repairs at the port of refuge. If in such a case a master prudently decided upon towing, the expenses of towing and getting the vessel to her destination, termed *substituted expenses*, would take the place in G/A of the expenses that would have been incurred had the vessel been repaired in the port of refuge, and such expenses would be apportioned in the same ratio as the expenditure in connection with the alternative course would have been borne had it been incurred, *e.g.*:

If the inward port charges and cost of discharging cargo to repair ship—a G/A charge—would have amounted to .	£500
Warehouse rent of cargo during repair—a special charge on cargo to . . .	200
And the cost of reloading cargo and outward port charges—a special charge on freight, to	500
	Total £1200

And towing had been prudently resorted to at a cost of

£240 or $\frac{1}{5}$ of the above charges, then the £240 would be apportioned in the same ratio as the £1200, viz.,

G/A	£500	will bear	£100	substituted expenses
Cargo (special charge) . .	200	,,	40	,, ,,
Freight (special charge). . .	500	,,	100	,, ,,
	£1200		£240	

Substituted expenses would not be justified unless they resulted in a saving of expense, or if they devolved upon the shipowner by reason of his obligation under the contract of affreightment.

Raising Funds. The incurring of expenditure at a port of refuge necessitates the raising of funds. In these days of extended telephonic and telegraphic facilities a master is practically always in touch with his owners, and funds can be cabled from one end of the world to the other. Only actual out-of-pocket expenses reasonably incurred for interest, and commission for advancing funds are allowed in G/A. A master, if no other means of raising funds is open to him, may resort to a forced sale of cargo. If cargo be rightly sold at a port of refuge the owner of the goods is entitled to the net proceeds, and if the net proceeds be less than they would have been had the goods been carried to their destination and there sold, he is entitled to the difference, *i.e.* he is entitled to any profit on the sale, and he is not to suffer any loss.

Bottomry and Respondentia. These transactions, owing to facilities for rapid communication, are rarely heard of nowadays, but formerly they were not uncommon. They are old time methods of raising money by practically pawning the ship and cargo in the case of Bottomry, and of the cargo only in the case of Respondentia—the sums thus advanced being repayable to the lender an agreed number of days after the arrival of the ship at her destination as specified in the formal document called, as the case may be, either a *Bottomry* or a *Respondentia Bond.* If the vessel be lost the lender loses his money, as it is repayable on condition that the ship and/or her cargo arrive. Respondentia is only justified when all other means of raising money, short of selling the cargo, have been exhausted.

Losses and Expenses not allowed in G/A. By English law expenses are not allowed in G/A if (1) the danger necessitating the sacrifice arises from the fault of the shipowner, *e.g.* through the ship being unseaworthy at the beginning of the voyage, or through the negligence of the master or crew, unless he be specially protected against negligence by the terms of the contract of affreightment; (2) if the expense is one which devolves upon the shipowner by reason of his obligations under the affreightment, *e.g.* wages and maintenance of crew at a port of refuge, coal consumed whilst bearing up for a port of refuge, loss by press of sail in keeping off a lee shore, &c.; (3) if the loss is attributable to the actual fault of the shippers of the cargo, *e.g.* if hemp is wrongfully shipped in a damp state, and through becoming heated it is necessary to jettison it to prevent fire; (4) if no loss has been sustained in consequence of the sacrifice. If there has been no loss sustained there can be no sacrifice, *e.g.* cutting away in a storm a mast which had previously been reduced to a state of wreck by perils of the sea; (5) if the loss or expense is not a direct consequence of a G/A act, *e.g.* destruction of cargo by fire at a port of refuge after it has been discharged and put in a place of safety.

The Adjustment. The preparation of a G/A statement of claim is termed the Adjustment. The adjustment of G/A claims is the work of a special class of professional men known as *Average Adjusters*. The adjustment of the contributions due is made at the termination of the voyage, and the law governing the adjustment is, in the absence of any contrary provision in the contract of affreightment the law obtaining at the port of destination. But if the voyage had been broken up at an intermediate port the law governing the adjustment is the law of that port. A shipowner has a lien on the cargo for the contributions due in respect of G/A. In trifling cases he releases the cargo to the consignees on their signing an *Average Bond*—a document in which they agree to pay such amount of G/A as shall be found to be due, and to furnish him, when required, with all available particulars of the value of their cargo necessary for the accurate assessment of the amount. If the G/A is of large amount the shipowner enforces his lien by collecting a *G/A deposit* which is paid into the bank in the name of two trustees—one appointed by the shipowner, and one by the consignees of the cargo. In exchange for the G/A deposit the shipowner gives the consignees a *Deposit Receipt*. Nowadays a shipowner frequently

releases the goods on the guarantee by the underwriter that the G/A contributions will be paid.

Contributing Interests. A G/A sacrifice is made for the benefit of all interested in the ship, the freight, or the cargo. Hence the owners of the ship contribute to G/A on the value of the ship in the condition in which she arrives at her destination, or at an intermediate port if the voyage be broken up. The receivers of freight contribute on the net amount of freight saved by the sacrifice, *i.e.* the amount of the freight at the risk of the shipowner less such expenses of earning it as would have been saved if the vessel had been lost at the time of the sacrifice. The contributions applying to freight at risk are paid by the shipowner. Freight paid in advance is considered an increase in the value of cargo, and the contribution is borne by the owners of the cargo. The owners of the cargo contribute on its net value arrived at the port of destination, after deduction of freight (if any) payable on delivery, or its net value at the intermediate port if the voyage be broken up. In the case of a ship in ballast proceeding to load under charter, the contributing interests are: the owners of the ship and the freight to be earned under the charter.

Amounts made good contribute. It must be borne in mind that the amounts made good in G/A themselves contribute to G/A. The owners of the goods sacrificed are placed in the same position in respect of loss as the owners of the goods saved, *i.e.*, the owners of the goods sacrificed are treated for the purpose of G/A contributions just as if their goods had been saved, *e.g.* if cargo value £1000 including freight paid in advance, be jettisoned, and the value of the ship, freight and cargo saved by the jettison be £9000, the amount to be made good by G/A is £1000, to which not only the £9000 (value of property saved) but the £1000 (value of property jettisoned) must contribute. Hence the property saved will contribute $\frac{9}{10}$ of the £1000 = £900 and the owner of the property jettisoned $\frac{1}{10}$ = £100. The owner of the jettisoned cargo will consequently receive not £1000 but £900.

General Average and Marine Insurance. When a G/A sacrifice has been made, the underwriters who have insured the property sacrificed are liable to the insured for the insured value of the property, and on payment are entitled to G/A compensation less any contribution attaching thereto. They are also liable for the G/A damage, the loss in the case of cargo and freight being

assessed on the insured value in the same manner as P/A, any question of insured value being disregarded in the case of hull. An underwriter is also liable to make good contributions to G/A, but, in this case, the insured value of the property is taken into account, *e.g.* if goods value £1000 have to pay a G/A contribution of £100, and the goods were insured for £1000 or more, the underwriter would have to pay the full £100, but if the goods had been insured for £900 only he would not pay the full £100 but $\frac{9}{10}$ of it, viz. £90. He thus pays in the proportion which the insured value bears to the contributory value.

Salvage is the reward paid, under maritime law, to a salvor for saving or helping to save property at sea, or property and life conjointly. The word is also used to express the property saved. A salvor has a lien on the property he has saved as security for the reward of his services, or if the property is not in his possession he has a *maritime lien*, *i.e.* a claim he can enforce by legal process in the Court of Admiralty. No claim for salvage can arise (1) unless the services of the salvor were successful, or of material benefit in salving a vessel, or (2) if the salvors were persons interested in the adventure. Salvage claims are more often than not adjusted in the Law Courts, the amount awarded being called a *Salvage Award*. In recovering salvage claims from the underwriter the insured value is taken into account just as in the case of the recovery of G/A contributions.

Subrogation is the right by which an underwriter on settling a loss is enabled to acquire the rights and remedies belonging to the assured in respect of the said loss, *e.g.*, if a ship posted at Lloyd's as "missing" should subsequently arrive, the underwriter who has paid a total loss on her hull becomes the owner of the vessel. Again, when goods are jettisoned for the general safety, and the underwriter pays a total loss, he stands in the same relation to the goods as the assured, and is entitled to G/A compensation for the jettison.

Expressed Warranties. "Implied" warranties have already been mentioned. An *expressed warranty* is a condition of the contract expressed in the policy, absolute compliance with which is essential to the validity of the contract. Examples: "Warranted to sail on or before a certain date"; "Warranted no Iron or Ore"; "Warranted part value uninsured." Two good examples which have been already explained are the Free of Capture and Seizure Clause and the Memorandum.

F.P.A. Clause. Free of Particular Average is one of the most common warranty clauses in Marine Insurance policies. It runs thus :

> "Warranted free from particular average unless the vessel or craft be stranded, sunk or burnt, each craft or lighter being deemed a separate insurance. Underwriters, notwithstanding this warranty, to pay for any damage or loss caused by collision with any other ship or craft, and any special charges for warehouse rent, re-shipping, or forwarding, for which they would otherwise be liable. Also to pay the insured value of any package or packages which may be totally lost in transhipment."

The effect of this clause is to exclude the underwriter from all liability for claims for P/A, unless the vessel or craft be stranded, sunk or burnt, or in collision, or unless any package or packages be totally lost in transhipment. It may be remarked with regard to the words "any special charges . . . liable" that special charges are only recoverable from the underwriter if the charges have been incurred to avert or minimise a loss for which he is responsible.

They have, therefore, been inserted in the F.P.A. clause as a kind of act of grace to mitigate its severity. Another warranty clause is the *F.A.A.* clause or *Free of all Average*, which exempts the underwriter from liability both from P/A and G/A.

Foreign General Average (F.G.A.). The student has seen that statements of average are made up in conformity either with (1) the law of the port of destination, or (2) the law of the intermediate port, if the voyage be broken up. The law varies considerably in different countries, and consequently the amount which the underwriter would be called upon to pay might be greater under Foreign than under British law. That there may be no doubt about the underwriter's liability to pay G/A made up according to foreign law the following clause is frequently inserted in policies :

> "General Average and salvage charges payable as per official foreign adjustment if so made up, or per York-Antwerp Rules, if in accordance with the contract of affreightment."

York-Antwerp Rules. A set of rules eighteen in number, relating to G/A and agreed upon by English and Foreign jurists, adjusters, shipowners, merchants, and underwriters as the result of meetings held first at York, subsequently at Antwerp, and at Liverpool in

1890, with a view to the formation of a uniform system of G/A to obviate (1) the restrictions of British Law; and (2) to introduce uniformity of practice in place of the divergency of practice existing in different countries.

Grounding in Suez Canal. It has already been explained that a stranding in Marine Insurance takes place where a vessel not merely touches bottom in an unusual place and manner, but remains hard and fast upon the obstruction. Grounding in the Suez Canal is of very frequent occurrence. Hence a clause is inserted in policies to the effect that "Grounding in the Suez Canal . . . not to be deemed a strand, but underwriters to pay any damage or loss which may be proved to have directly resulted therefrom."

Running Down Clause. It was decided in 1836 that a shipowner could not recover from the underwriter, under the ordinary wording of the policy, damages which he had to pay in case of collision with another vessel, hence a clause, sometimes called the *Running Down Clause*, and sometimes the *Collision Clause*, is added as a separate contract worded as follows:

> "And it is further agreed that if the ship hereby insured shall come into collision with any other ship or vessel, and the assured shall in consequence thereof become liable to pay, and shall pay by way of damages to any other person or persons any sum or sums not exceeding in respect of any one such collision the value of the ship insured, this Company will pay the assured such proportion of three-fourths of such sum or sums so paid as its subscription bears to the value of the ship hereby insured."

Limitation of Liability. By the common law of England a shipowner is liable for the full amount for loss or damage to property, and for loss of life or personal injury, whether in his own or other vessels through collision with them. But by the Merchant Shipping Act, 1894, if the loss or damage occur without the actual fault or privity of the owner, then the owner is not liable beyond £15 per ton of the vessel's tonnage for loss of life or personal injury; and £8 per ton for loss or damage to property. If the owner of the wrong-doing vessel desire to avail himself of this Act he must, with the consent of the underwriter, apply to the Court for permission to do so. This is called a *Limitation Suit*. When both vessels are to

blame the basis of the settlement as between the two vessels is as follows:

Suppose vessel A sustains damage = £1000
" " B " " = £800
½ A's doing = £500
½ B's doing = £400

B therefore pays A £100, *i.e.* the lesser damaged vessel pays the greater damaged vessel one half of the difference between the lesser and greater damage. The basis of settlement between the underwriters and the shipowners is upon the principle of *cross liability*. Thus in the illustration given the underwriter of vessel A pays on the basis of £500, and the underwriter of vessel B on the basis of £400. If the vessels in collision belong to the same owner, then by a clause known as the *Sister Ship Clause* the assured has the same rights under the policy as if the vessels belonged to different owners, and the amount of liability for the collision, or the amount payable for services rendered, is determined by an arbitrator agreed upon between the underwriters and the assured.

Continuation Clause. It may happen that a Time Policy protecting a vessel expires while the vessel is still at sea, or at a port of refuge or of call, or in distress. It is therefore sometimes provided by a clause known as the *Continuation Clause* that in that event "she shall, provided previous notice be given to the underwriters, be held covered at a *pro rata* monthly premium to her port of destination." It has been held that, although by means of such a continuation clause, policies are carried on beyond a period of twelve months they are not void, provided that in addition to the ordinary policy duty a 6*d.* stamp be affixed to the policy; and if at the end of twelve months the policy be extended in accordance with the clause, whether by issue of a new or endorsement of the old policy, such new policy or endorsement must be stamped just as if it were a new insurance altogether.

Re-insurance Clause. An underwriter may accept a risk greater than he thinks prudent to retain. He then re-insures with another underwriter the whole or such portion of the risk as he thinks desirable. A clause is inserted in the policy explaining that it is a re-insurance "subject to the same clauses and conditions as the original policy or policies, and to pay as may be paid thereon." The words "pay as may be paid thereon" *i.e.* on the original

policy, assume that the original underwriter only pays claims for which he is legally responsible, and that the loss is one for which the re-insuring underwriter under the term of the re-insurance policy is also liable.

Time Penalty Clause. In policies on chartered freight, *i.e.* the amount paid for the time of a vessel, there is usually inserted a Time Penalty Clause: "Warranted free from any claims consequent on loss of time, whether arising from a peril of the sea or otherwise." The terms of the clause are construed strictly in accordance with the theory of *causa proxima*. For example, the underwriters of chartered freight insured under the Time Penalty Clause have been held not liable for loss of freight when a fire broke out on board the ship, destroying her refrigerating machinery and preventing her from loading her cargo of frozen meat. The loss was ruled to be a loss consequent on "loss of time," though the vessel was damaged by a peril insured against.

Test Paper XXXII

1. What is Jettison? Explain in your own language the principles governing General Average and give an example of a General Average Adjustment.
2. In a G/A sacrifice, how are the contributions of ship, freight and cargo determined?
3. What is the effect of the words in Lloyd's Policy: It shall be lawful for the assured, their factors, servants and assigns to sue, labour and travel for, in and about the defence, safeguard and recovery," &c.?
4. When is a Marine Policy assignable? How may it be assigned?
5. Explain the following: Deduction new for old"; F. C. & S.; Covering Note; Declarations; Inherent defect.
6. What do you understand by the expression: "To act as if insured"?
7. What difference exists between the English practice and the practice of most other countries as to Port of Refuge expenses in case of an accident to the ship?
8. Comment on the following: "A contract of Marine Insurance is a contract founded on the utmost good faith."
9. What considerations are essential in a G/A contribution?
10. Explain in your own words what is meant by Insurable Interest in Marine Insurance, and mention some of the principal classes of persons who may have such an interest.
11. During avoyage a ship's spar and a portion of the cargo are washed overboard in a storm. Subsequently a mast is cut away and some more cargo thrown overboard to lighten the ship. Insurance on both ship and cargo has been effected F.P.A. What are the rights and liabilities of the shipowner and cargo-owner in each case?
12. Give a list of the documents to be produced by the insured when preparing a claim for a particular average loss.

STEAM.
QUEBRACHO

River Plate Charter-party.

LONDON, 27th November 1908

6d. Stamp.

Owners. 1. IT is this day mutually agreed between Gillespie & Durrant owners of the good screw steamer called the "Alberta" of the measurement of 3,200 tons gross and 2,300 tons net register or thereabouts, classed A1 and to be of that class at the time of loading, now at Tilbury

Charterers. 2. And Fife & Woodward of 37 Leadenhall St. London EC Charterers

Cargo. 3. That the said Vessel being tight, staunch and strong, and every way fitted for the intended voyage, shall, with all convenient speed, after discharge of her outward cargo proceed as ordered by the Charterers or their Agents to the undermentioned places, and receive from them a full and complete cargo of **Quebracho** wood in logs on and under deck to be loaded as follows, viz :—

Loading Ports and Destination. 4. At one or two safe loading places at **Colastine** as much cargo as Captain may wish to take there and balance at **Puerto Borghi** and/or below the bar of **Martin Garcia**, which cargo the said Charterers bind themselves to ship, not exceeding what she can reasonably stow and carry over and above her tackle, apparel, provisions, and furniture (any dunnage or mattiog necessary being for account of the ship) and being so loaded shall therewith proceed to a safe port in the **United Kingdom** or on the Continent between **Bordeaux** and **Hamburg**, both inclusive (Rouen excluded) or so near thereunto as she can safely get (always afloat), and deliver the cargo on being paid freight, at and after the following rates, viz. :—

Freight. 5. For cargo loaded at Colastine 21/- s. — d. British Sterling, say: Twenty One Shillings British Sterling.

With a reduction of 3s. 6d., say **three shillings and sixpence per ton** on the quantity loaded at **Puerto Borghi** and with a further reduction of 2s., say **two shillings per ton** on the quantity loaded below the bar of **Martin Garcia.**

All per ton of 2240 lbs. English gross weight delivered.

Payable. 6. The freight shall be paid as follows, viz. : Sufficient cash for Ship's use, if required by the Master (not exceeding one third of the freight), to be supplied on account of Freight at current rate of exchange, subject to 5 per cent. to cover insurance and other charges, and the balance of Freight on the right and true delivery of the cargo, in cash ; if on the Continent, and rate of freight be in Sterling, freight to be paid in cash at current rate of exchange for short bills on London.

Exceptions. 7. The Act of God, Perils of the Sea, Fire, Barratry of the Master and Crew, Enemies, Pirates, and Thieves, Arrest and Restraint of Princes, Rulers and People, or Quarantine Restrictions of whatever nature or kind, always excepted during this charter, Collisions, Stranding and other Accidents or Errors of Navigation also excepted, even when occasioned by the Negligence, Default, or Error in judgment of the Pilot, Master, Mariners, or other servants of the Shipowners. The vessel to have liberty to call at any port or ports in any order, to take Bunker Coals or other supplies, and to sail without pilots, and to tow and be towed, and assist vessels in distress, and to deviate for the purposes of saving life or property. Ship not answerable for losses through explosion, bursting of boilers, breaking of shafts, or any latent defect in machinery or hull not resulting from want of due diligence by the Owners of the Ship or any of them, or by the Ship's husband or Manager or Agents.

Other cargo. 8. Charterers have the option of shipping wheat, maize, linseed, rapeseed and/or other lawful merchandise, in which case freight to be one shilling per ton less for wheat and/or maize ; other cargo in full and fair proportion to wheat and/or maize.

Orders and Completion. 9. Orders as to port of discharge are to be given to the Master in writing before leaving the Plate. Captain to declare, three days after beginning loading, how much cargo shall be loaded at **Puerto Borghi** and/or below the bar of **Martin Garcia.**

Ice. 10. Should the Steamer be ordered to a Port of Discharge on the Continent or Baltic inaccessible by reason of Ice, the Master shall have the option of waiting until the port is again open, or of proceeding to the nearest safe open port or roadstead (telegraphing his arrival there to consignees), where he shall receive fresh orders for an open and accessible Port of Discharge, in the United Kingdom or Continent as above, within 24 hours after arrival, or lay days to count. If so ordered, the Steamer shall receive the same freight as if she had discharged at the port to which she was originally ordered, but if ordered to a port more than 100 nautical miles distant from such open port or roadstead, the freight shall be increased by One Shilling per Ton as above.

Deckload. 11. Deckload to be at full freight, but at charterers' risk.

Lightening. 12. Steamer to be at liberty to lighten at all hars at her expense and charterers' risk

Shifting. 13. Time occupied in shifting between the loading places, also detention by quarantine, not to count as lay days

Capacity. 14. Owners undertake that the steamer shall not load more than 6,000 tons, and not less than 5,500 tons English weight of Quebracho.

Clearance. 15. The Captain to apply at loading ports to Charterers or their Agents for cargo, and steamer to be cleared at Custom Houses by them, paying a clearance fee of $100 gold, once only.

Stevedore. 16. The cargoes to be brought to and taken from alongside at Charterers' risk and expense. Charterers are to have the option of appointing the Stevedore at loading port only, who is to be paid by the Captain, but at not more than current rates for quebracho respectively other cargo.

Bills of lading. 17. Master to sign Bills of Lading, if required, at any rate of Freight, without prejudice to this Charter, but at not less than chartered rate or difference to be settled in cash on signing Bills of Lading. Clause 7 of exceptions as above, to be embodied in the Bills of Lading.

Sawing. 18. Captain to have the option of sawing logs to facilitate stowage, but not to a less measurement than 1¼ metres.

Option of Baltic. 19. Charterers to have the option of ordering the steamer to a direct port in the Baltic, in which case the rate of freight to be 1s. 6d., say one shilling and sixpence extra. If ordered to Russia, the steamer to be free of the usual Russian Address Commission.

Loading time. 20. Cargo to be loaded at the rate of two hundred (200) tons per running day, Sundays and Holidays excepted (if the ship be not sooner despatched), and time allowed for loading to count 12 hours after notice has been given by the Master in writing to the Charterers or their Agents that the vessel is in readiness to receive cargo, said notice to be given at the first port of loading only, and all time on demurrage over and above said laying days shall be paid for by the Charterers, or their Agents, to the Ship at the rate of fourpence sterling per gross register ton per day.

Demurrage 21. Demurrage at above rate shall be payable for any detention in taking delivery of cargo at the port of discharge.

Despatch Money. 22. Steamer to pay charterers £10 sterling despatch money for each day saved in loading including Sundays and holidays.

Strikes. 23. If the cargo cannot be loaded or discharged by reason of a strike or lockout of any class of workmen essential to the loading or discharge of the cargo, or by reason of fog, frost, floods, and breakdown of machinery, the days for loading or discharging shall not count during the continuance of such strike or lockout. A strike of the shipper's or receiver's men only shall not exonerate him from any demurrage for which he may be liable under this charter, if by the use of reasonable diligence he could have obtained other suitable labour, and in case of any delay by reason of the before-mentioned causes no claim for damage shall be made by the receiver of the cargo, the owners of the ship, or by any other party under this Charter.

War 24. If the nation under whose flag the Steamer sails shall be at war, whereby the free navigation of the Steamer is endangered, or in case of blockade or prohibition of export of quebracho, grain and seed from the loading port, this Charter shall be null and void at the last outward port of delivery or at any subsequent period when the difficulty may arise, previous to cargo being shipped.

Average. 25. Average, if any, payable according to York-Antwerp rules 1890.

Lay Days. 26. Lay days not to commence before 28th January 1909. unless Charterers should begin shipping sooner, and should Steamer not be ready by 6 p.m. on 31st January 1909. Charterers to have the option of cancelling this Charter-Party ; but for the purpose of this clause the preliminary 12 hours' notice of readiness to load stipulated for in Clause 20 shall not be required to be given.

Discharging Port. 27. The discharging to be effected according to the custom of the port, but anyhow at not less than as fast as steamer can deliver.

Should the steamer be ordered to discharge at a place to which there is not sufficient water for her to get the first tide after arrival without lightening, and lie always afloat, lay days not to count from 48 hours after her arrival at a safe anchorage for similar vessels bound for such place, and any lighterage incurred to enable her to reach the place of discharge is to be at the expense and risk of the receiver of the cargo, any custom of the port or place to the contrary notwithstanding, but time occupied in proceeding from the anchorage to the port of discharge is not to count.

Consignees of the cargo to have the option of receiving by lighters always without detention to the steamer and lighterage, if any, to be at their risk and expense.

If Hamburg. Consignees to have the option of ordering the steamer to discharge on the Quay, in which case all Quay dues, if any, are to be for their (consignees') account.

Consignment. 28. Steamer to be consigned at Port of Discharge to Owners or their Agents, by whom the vessel is to be reported at the Custom House on the usual terms.

Commission. 29. 5% per cent. brokerage is due by the Steamer upon freight, primage and demurrage, upon the signing of this Charter, to Arbuthnot & Co.

Line. 30. The Owner or Master of the Vessel shall have an absolute lien and charge upon cargo and goods laden on board for the recovery and payment of freight and demurrage and all other charges whatsoever. Penalty for non-performance of this agreement estimated amount of freight.

Witness to the Signature of Gillespie & Durrant — John Richards, 17 Leadenhall St. — Gillespie & Durrant

Witness to the Signature of Fife & Woodward — Joseph Woods, 37 Leadenhall St. — Fife & Woodward

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P. & O. BILL OF LADING.

No.

Shippers are requested to note particularly the terms and conditions of this Bill of Lading with reference to the validity of their insurance upon their goods.

Shippers may by paying a higher rate of Freight ship their goods under Bill of Lading (known as the Red Bill of Lading) under which the Company take responsibilities not imposed by this Form.

Shippers are cautioned against shipping goods of a dangerous or damaging nature as by so doing they become responsible for all consequential damage and also render themselves liable to penalties imposed by Statute.

SIX PENCE

PENINSULAR & ORIENTAL COMPANY

Shipped in good order and well-conditioned by C. J. Rutherford & Coy. in the Peninsular & Oriental Steam Navigation Company's STEAM SHIP Himalaya whereof is Commander for this present Voyage Doxford and now riding at Anchor in Tilbury Docks

Sixteen Cases Cotton Goods

being marked and numbered as in the margin and to be delivered subject to the exceptions and conditions at foot hereof in the like good order and well-conditioned at the Port of Bombay unto Messrs CH. Vidya & Coy.

or to his or their Assigns on Freight for the said Goods being paid in London by the Shippers as per margin Ship lost or not lost.

In Witness whereof the Commander of the Ship hath affirmed to Three Bills of Lading all of this tenor and date one of which being accomplished the others to stand void.

Dated in London the 31st December 1908.

C. H V Co Bombay.

816/831

Freight on 6.6 at 30/-

£9. 9. 0.

The following are the Exceptions and Conditions above referred to :—

Weight Measure Contents and Value unknown.

The Act of God the King's Enemies restraint of Princes Rulers or Peoples restriction of Quarantine Pirates Robbers or Thieves by Sea or Land Loss by Theft or Robberies by Sea or Land and whether by persons directly or indirectly in the employment or service of the Company or otherwise Accidents Loss or Damage from Vermin Barratry Fire Jettison Collision Machinery Boilers Steam or Defects latent or otherwise in Hull Tackle Boilers or Machinery or their appurtenances and all Perils Dangers and Accidents of the Seas Rivers Land Carriage and Navigation of what kind soever and accidents loss damage delay or detention from any Act or default of the Egyptian Government or the Administration of the Suez Canal or arising out of or consequent upon the employment of the Company's Vessels in or assistance rendered by them in the performance of His Majesty's Mail Service or loss delays or any other consequences arising from combinations of workmen or others whether ashore or afloat strikes or civil commotion or any Act neglect or default whatsoever of the Pilot Master Mariners or other Servants or of the Agents of the Company or from transhipment or warehousing or from obliterations of marks or numbers or from leakage breakage insufficiency of packages or sweat or rust or injurious effects of other Goods or from Ships not having room at Port of Transhipment are all excepted.

Whenever through Bills of Lading are granted by the Company and shipment transhipment carriage or delivery of the goods is to be performed or partly performed by the Vessels or Agents or Servants of other Shipowners all the exceptions and conditions in this Bill of Lading shall apply to such other Owners' Vessels Agents or Servants as well as to the Company their Vessels Agents or Servants.

The Ships are to be at liberty to sail with or without Pilots and to tow and assist Vessels in all situations and also to deviate from the Voyage for any purpose or to touch and stay at other Ports either in or out of the usual track.

A written Declaration of the Contents and Value of Goods must be delivered by the Shippers to the Company with the Bills of Lading and an untrue Declaration shall release the Company from all responsibility and shall entitle the Company to charge double Freight on the real value.

All Goods must be distinctly marked with the Marks Numbers and Port of Destination otherwise the Company will not be responsible for detention or mis-delivery.

The Company shall have the option of making delivery of Goods either over the Ship's side or from Lighters or a Store Ship or Hulk or Custom House or Warehouse or Wharf or Dock or Quay at Merchant's risk. In all cases their liability is to cease as soon as the Goods are free from the Ship's tackles.

Consignees or their Assigns must be ready to take delivery of Goods as soon as the Ship is ready to discharge them otherwise the Company shall be at liberty to land and warehouse or discharge them into a Store Ship or Hulk or Lighters at the Merchant's risk and expense and shall have a lien thereon for such expense.

Specie deliverable in London will be landed at a Port in England and conveyed to the Bank of England at the Company's expense but at the Merchant's risk. All liability of the Company is to cease as soon as the Specie is free from the Ship's tackles.

In case of Quarantine the Goods may be discharged into Quarantine Depôt Hulk or other Vessel as required for the Ship's despatch. Quarantine expenses upon the Goods of whatsoever nature or kind shall be borne by the Owners of the Goods.

The Company are to be at liberty to carry the said Goods to their Port of Destination by the above or other Steamer or Steamers Ship or Ships either belonging to the Company or to other persons proceeding either directly or indirectly to such Port and in so doing to carry the Goods beyond their Port of Destination and to tranship or land and store the Goods either on shore or afloat and reship and forward the same at the Company's expense but at Merchant's risk.

In cases where the ultimate destination at which the Company may have engaged to deliver Goods is other than the Steamer's Port of Discharge the Company reserve the right to forward such Goods by Rail. The Company act as forwarding Agents only from that Port and in all cases their liability is to cease as above provided.

Goods carried on deck are carried solely at the Merchant's risk.

Not accountable for Money Documents Gold Silver Bullion Jewellery or Precious Stones nor for any other Goods the value of which exceeds £100 for any one package unless the Value be expressed on the Bills of Lading.

Any claim that may arise in respect of Goods shipped by the Company's Steamers must be made at the Port of Delivery.

A. F. Doxford Commander.

[A.—11121.]

Printed and Sold by Nissen & Aasom, 99, Fenchurch Street, E.C.

N F

13. How is the risk determined on ship and on cargo by Lloyds' Policy ?

14. What stamps are required on policies of sea insurance ? If the policy be effected out of the United Kingdom, when must it be stamped to be enforceable within the United Kingdom ?

15. A ship runs short of coal during a voyage, and the captain burns a part of the cargo to enable him to reach a port. How is the loss of cargo made good to its owner ?

16. A shipping agent abroad, hearing that the vessel in which goods were shipped has stranded, informs his principal in England of the fact by letter instead of by telegraph. Before the receipt of the letter, the principal insures the goods. Is the underwriter liable ? Give your reasons.

17. Explain the following : F. G. A. ; Floating Policy ; Sea Perils ; Short Interest ; Express Warranties.

18. Mention cases when the insured is not protected from loss by insuring.

19. What duty devolves upon the captain when he reaches a port, if a sacrifice has occurred during the voyage ?

20. In what cases may the whole or part of the premium be returnable ?

21. What is the effect of the words " Lost or Not Lost " in a marine policy ?

22. You have chartered the steamer Mary Jane to bring over from Rio Janeiro to London, a cargo of 4000 bags of coffee, which you value for the purpose of Insurance at £10,000, and you wish to insure the cargo with an Insurance Company. The terms arranged are £2 10s. per £100. F.C.S., F.G.A. Underwriter to pay average on each 30 packages. How would you proceed ?

23. What would you consider to be the essential requisites of a Contract of Marine Insurance ?

24. What does the term " Slip " include in a Marine Policy ?

25. Define a Gaming or Wagering Contract.

26. In what cases is a Breach of Warranty excused ?

27. Where different classes of property are insured under a single valuation, and a loss occurs, how is the valuation apportioned.

28. Give an example of a particular average on freight.

29. Explain the following : Average Statement, Tail Series, Sister Ship Clause, Salvage, Subrogation.

30. If a vessel, through stress of weather, run into a port of safety, and is there condemned, and the underwriter on freight charter another ship to convey the cargo to its destination, what is the effect of this arrangement on the underwriter on ship ?

31. General average according to Foreign Statement or per York-Antwerp Rules, if according to the contract of affreightment. What do you know of the York-Antwerp Rules ?

32. Where money has been raised on Respondentia, what remedy has the lender, and in what order can he enforce it ?

33. In adjustment of claims for P/A in a policy on hull in the absence of agreement, what items for repairs or loss are recoverable from insurer without deduction " new for old " ?

34. (1) If a ship sail on a voyage not contemplated ; (2) If she starts on the voyage contemplated but changes her destination, and (3) if she proceeds to her destination by an improper track : what is the consequence in each case ?

CHAPTER XXIII

LIFE ASSURANCE

I

The Contract. Unlike Marine or Fire Insurance, the contract of Life Assurance is not a contract of indemnity. It is a contract whereby the assurer, in consideration of the payment of the premium by the assured, agrees to pay a specified sum (with a share of profits if the Policy be a participating one) on the occurrence of a stated event in the life of the assured. The event may be (1) the reaching of a certain age, or (2) death; and the premium may be (1) a sum down, termed a *single premium*, or (2) equivalent annual payments, termed *annual premiums* (half-yearly, quarterly, &c.), to be made during the life, or during a stated part of the life, of the assured.

The Proposal. The first step when entering into a contract of life assurance is to submit a proposal to the company selected upon a form specially issued for the purpose. The proposer must observe the utmost good faith in answering the questions propounded on the form, otherwise the contract will be void. He must not only answer truly the particular questions put, but he must disclose any material facts not covered by the questions which the company ought to know in order to be able to form a precise estimate of the risk. These stipulations apply equally to any agent acting for a proposer as to the proposer himself. The agent is bound to disclose any material fact or facts within his knowledge, even though that knowledge be not shared by the person for whom he is acting. The statements of fact in the proposal form what is termed the *Declaration*, and this declaration is embodied, either expressly or by reference, in the Policy itself. Where facts are unqualified by the addition of the words "to the best of my knowledge and belief," they amount to legal *warranties*. Other statements included in the report

of the medical officer who examines on behalf of the company are termed *Representations.* A representation, though it is not a statement of fact, must embody "substantial accuracy." A proposer must name referees to whom the company can apply for information relative to his health and habits. The referees must give their information to the company freely and frankly, and any collusion on their part with the proposer, or any wilfully untrue statement on their part, may involve them in damages should loss occur to the company.

Who may Insure? Any person may insure his own life, or the life of another provided he has an insurable interest in the life. Insurable interest must be of a pecuniary kind, *i.e.* it must be an interest in some right of property *existent* at the time the policy is completed, which would be injuriously affected by the death of that person. Thus one who has stood surety for another in respect of a loan is entitled to insure the life of the person for whom he has gone surety. A mere anticipation of property on the death of a certain person does not constitute a legal interest in that person's life. But if property be left to A provided he survive B, an assurance can be properly effected payable on the death of A if he die before B, in order to render the reversionary interest complete.

Wording of the Policy. In the event of the wording of a policy being susceptible of more than one meaning, that meaning is put upon it which is most favourable to the assured. A company is not bound to pay upon a policy if the assured die by his own hand or at the hands of public justice, unless the policy has been assigned to a third party for valuable consideration. But it is the practice of the companies to pay provided the policy has been in force for a period generally of not less than two years. An innocent mistake in stating the age at the time of proposing does not invalidate a policy, but when discharging the policy the company will make the necessary adjustments, deducting from or adding to the amount payable, according as the age was under- or over-stated at the time of taking out the policy. It is well, therefore, to have the age proved and admitted when the assurance is effected.

Payment of Premium. The premium is usually paid annually in advance, but a company will accept the premium in monthly, quarterly or half-yearly instalments, charging a slightly higher rate for the accommodation. The date of payment is set forth in the policy, and a month's grace is allowed beyond the time stated. Companies

usually send out renewal notices to policy-holders, but a policy-holder has no valid excuse for the non-payment of the premium within the time stipulated on the ground that no renewal notice had been received.

Assignment of Policy. A policy may be assigned by the assured to any person for valuable consideration. The term "valuable consideration" is of wide meaning. Thus a policy may be assigned (1) from motives of friendship, or (2) the love of kindred by blood or marriage, (3) for money or money's worth, or (4) under an agreement by which the assignor benefits either by the assignee doing or abstaining from doing any act. A policy may not be assigned in respect of illegal considerations, *e.g.* gambling debts. The assignment must be by deed, and notice of its execution must be given to the company, who will, on request, furnish the assignee with a receipt of the notice of assignment. The execution of the assignment should be accompanied by the transfer of the policy to the person in whose favour the assignment is made, or to the agent acting for him. A policy may be wholly assigned, or a mortgage or lien given upon it for a particular sum. Where a policy-holder becomes bankrupt the policy is vested in the trustee, provided he serves notice upon the company issuing the policy; but if the policy be encumbered by a mortgage the trustee can only secure the benefits attaching to the policy after the mortgage has been cleared off. If the policy had been taken out prior to insolvency for the benefit of the debtor's wife, or wife and children, or children only, and so expressed, the trustee would have no power to attach it to the debtor's estate.

Proof of Death. The beneficiaries under the policy must furnish adequate evidence of the death of the insured, as the onus of proof lies upon them. A registrar's certificate is the usual proof furnished. Sometimes it is difficult or impossible definitely to prove death, *e.g.* in the case of a person addicted to travel who has died abroad. After all possible inquiries sufficient to satisfy an ordinary jury have been made, and after a greater or less lapse of time (usually seven years), death is presumed. Upon paying the claim the company is entitled to possession of the policy. But a claim would be paid though the policy had been lost or destroyed, provided indemnities were given by the person or persons to whom the claim was paid, or by other approved persons.

Kinds of Life Offices. Life offices are divided into two classes:

(1) mutual offices; (2) proprietary, or rather, mixed offices. A mutual office is one wherein the participating policy-holders themselves form the proprietors, and the whole of the profit is divided amongst them. A proprietary or mixed office is a joint stock company whose profits are divided amongst the shareholders and participating policy-holders in the customary proportion of 10 per cent. and 90 per cent.

Board of Trade Returns. Under the Assurance Companies Act, 1907, all life companies must prepare and submit returns drawn up in accordance with the requirements of the Act. No adequate estimate of the degree to which a particular company is worthy of trust can be inferred from its constitution. There are both mutual and mixed offices which offer equally sound security to the policy-holder. But from these returns the public are enabled to judge the financial standing of any particular company and to deduce the extent of the margin provided for the expenses and creation of profits.

Kinds of Policies. The different kinds of life policies are too numerous for individual mention. The most popular is the *Endowment Assurance Policy* which provides for the payment of a stated sum either on the attainment of a specified age or at previous death. This form of policy thus combines two risks and therefore two premiums—the premium for the temporary assurance and the premium for the endowment on reaching the specified age—consequently the premium is higher than for an ordinary whole life policy.

Next in order is the *Whole Life Policy*, formerly the chief kind of assurance, which provides, as its name shows, the payment of a specified sum at death alone. The premium may be paid (1) in a single sum down, or (2) by equivalent yearly instalments of equal amount, or (3) by a limited number of premiums of larger amount, or (4) by a lower premium during the early years in which the policy is in force and a higher premium thereafter. The policy may be with or without bonus—*i.e.* participation in profits—if with bonus the premium will of course be higher than if without bonus—and the bonus may be added to the sum payable at death, or commuted for an immediate cash payment on declaration of the amount of the bonus, or utilised for the reduction of future premiums and in other modes. Other kinds of policies sometimes taken out are:

Policy upon Joint Lives. A policy may be effected upon the joint lives of two or more partners so that in the event of one of the partners dying, the capital taken out of the firm consequent upon his death may be replaced by the proceeds of the assurance. The premium on such a policy would be paid out of the partnership moneys, and form part of the partnership assets. In the event of the partnership being dissolved, the surrender value of the policy could be distributed amongst the partners in the same way as the other assets.

Policies on the Lives of Children. Parents or guardians (1) in order to provide funds to meet the cost of an expensive education of a child or children under their care, or (2) to start them in business, or (3) to afford them, on attaining their majority, the benefit of a policy of assurance at a very considerably reduced premium, may insure the lives of such children at birth or any infantile age, the sum assured in the case of (1) or (2) being payable on their attaining the age of twenty-one or any subsequent age. In such cases the assurance may be effected on the understanding that should death occur before the stipulated age, the premiums shall either be forfeited or repaid without interest. Such assurances, though legally invalid (a parent or guardian usually has no insurable interest in the lives of the children assured—if, however, an insurable interest exist, the policy is good in law), are nevertheless accepted by the companies, for they are not contrary to public policy, but, on the other hand, arise from transparently worthy motives.

Annuities. The beneficiaries under a life policy, instead of receiving payment of the amount assured in a sum down, may elect to leave the amount in the hands of the company, and receive it in the form of an annuity, *i.e.* a stated yearly sum for the whole or a portion of the life of a single beneficiary, or during the whole of the joint lives of two or more beneficiaries or in any other way that may be arranged. An annuity obviously provides a greater yearly payment than money invested at interest, because on termination of the annuity the capital sum is extinguished. The student is referred to the chapter dealing with the national debt (p. 433) for further explanation of this subject.

II

Theory of Probabilities. The system of Life Assurance is based upon the Theory of Probabilities, which says that (1) in a sufficiently extended series of observations the events under examination will more probably occur in ways proportional to their happening at a single observation than in any other specified proportion: (2) the probability that the events will happen in this proportion may be made to approach nearer and nearer towards certainty by extending the series of observations. The truth of these theories may be mathematically demonstrated, but it is sufficient for the reader to say that their truth has been practically illustrated by the spinning of an evenly balanced coin. In a single spin the chance of a head appearing is exactly half, and in a series of 4040 spins heads appeared in 50.69 per cent. of the spins. In a second series of 12,000 spins heads appeared in 49.84 per cent. of the spins, and in a third series of 24,000 the percentage of heads was 49.95. Applying these theories to life assurance it is clear that the more extended be the series of observations regarding the duration of human life the greater the probability is that the results will disclose a regularity of incidence adequate for practical purposes. In the coin spinning tests the appearance of a head was not generally followed by the appearance of a tail; frequently a run of heads was followed by a run of tails. But, inasmuch as the totality of heads and tails were practically equal, it follows that the excess of heads at one point was balanced by an excess of tails at another. Now if by the appearance of a head we represent a death, and by the appearance of a tail we represent a survivance, we have an exact parallel in life assurance experience. An excess over the average of claims arising through mortality at one period is compensated by a diminution in the average of claims arising through mortality at another period. Hence an essential element in the scheme is that the excess, over the sum assured, of the premiums paid to the general fund by those who survive, is utilised to redress the deficiency, caused by the premiums of those who die early, falling short of the sum assured.

Mortality Tables. It has been pointed out that the prime requisite for the discovery of any practically fixed scale of mortality is a sufficiency of observations of the ages attained by mankind. An early example of a series of observations is known as the Northampton

Table, compiled from Registers in the parish of All Saints, Northampton, for the 46 years 1735–1780. This was followed by the Carlisle Table, the result of two enumerations in the parishes of St. Mary and St. Cuthbert, Carlisle, in 1780 and 1787, compared with the bills of mortality for the 9 years 1779–1787. Then came the several tables embodying the experience of the Equitable Assurance Society—the pioneer of the modern system—in connection with their policy-holders. In 1835 seventeen Assurance Societies contributed the results deduced from the 83,905 policies issued by them. This is known as the Seventeen Offices' Table. Later, three English Tables were compiled from the records of the Registrar-General for England and Wales, the first in 1843 and the last in 1884. Then came the tables issued by the Institute of Actuaries—the H^m (Healthy Males Table), H^{mf} (Healthy Females Table), and the H^{m5} (Healthy Males excluding the first 5 years of assurance). The latest Table is the O^m (or British offices' experience) which is based upon the most recent observations of assured lives. The extent of the work involved in the compilation of the last Table and its momentary calculations may be judged from the fact that its preparation cost about £10,000.

Adjusting Observations. It is not to be supposed that a Mortality Table exhibits merely the results of the observations themselves. Certain processes have to be applied to the observations to divest them of error (incidental to all collections of statistics) as far as possible, and to correlate them one to another, in order to bring out or express some actual tendency in nature in respect to human mortality.

Weighting. Assume that two persons, A and B, record the occurrence of an event—both observers being practically of equal skill and accuracy. A states that the event occurred at 11 o'clock, B that it occurred at 2 minutes after eleven, or $11\frac{1}{30}$. Common Sense and Probability (the latter according to Laplace being "organised Common Sense") both accept the exact time as one minute after 11, or $11\frac{1}{60}$—the arithmetical mean of the two times mentioned. The validity of this is obvious, for by fixing upon $11\ \frac{1}{0}$—the arithmetical mean—we place ourselves so to speak at the same distance from B on the one side as we do from A on the other—thus attaching equal credence to both. But assume, now, that three observers, A, B, and C, of unequal skill record the time respectively as 11, $11\frac{1}{30}$ (two minutes after 11), and $11\frac{1}{15}$ (4 minutes after 11). A's skill is three times that of C, and B's twice

that of C. Hence, to obtain the closely true measure of the time we must adopt the system of what is termed "weighting." That is to say, we must credit to A three measures of his time, and to B two measures of his time. The three observations are thus converted into six. Hence for the determination of the correct time out of these discordant records we have the fraction

$$\frac{(3 \times 11) + (2 \times 11\frac{1}{30}) + 11\frac{1}{15}}{6}$$

which works out at about $1\frac{1}{3}$ minutes after 11. The proportionate values attached to different observations are termed "weights." In Life Assurance the weights at each age consist of an adequate number of observations.

Graduation. Suppose a series of observations had been made extending over a number of lives from, say the age of 30 up to the age of 40. So many would die before reaching the age of 31, so many before reaching the age of 32, and so on up to the limit of 40. If now we take a horizontal base line and divide it into ten parts to represent the ages between 31 and 40 and from these points erect vertical lines upon which we mark off on a uniform scale the number of survivors at the respective ages, and then join the points marked off on these vertical lines, we shall find that the descending line thus obtained does not present the appearance of a flowing curve, but is jagged and irregular. The irregularities thus exhibited being occasioned by errors or disturbing influences, *e.g.* an epidemic or an inadequate number of observations. It will be obvious that the figure enclosed by the part of the base line, the joined line, and any two consecutive vertical lines, will represent the deaths in that interval. A skilled person could, however, smooth out this jagged line and draw a fresh curve running through the jagged line, which would cut off equal portions of the irregularities both above and below the fresh curve. This smooth flowing curve would then represent the general rate of mortality without the fluctuations due to the causes mentioned. This method of graduation is termed the *Graphic Method*, and a diagram thus compiled a *graph*. There are other methods, but as these involve complex mathematical processes they cannot be touched upon in a book of this kind. (The student who desires an introduction to the subject of statistics is recommended to procure "An Elementary Manual of Statistics," by Professor A. L. Bowley, 5*s*. net, Macdonald & Evans.)

III

The Formation of the Premium. An able actuary has defined life assurance as a method of equalising the risks of death. But the risks of death lie in the course of nature for each individual person, and it is obvious that no scheme can be devised to make these equal for each. Life Assurance is a co-operative plan by which, while equitably allotting (according to the table of mortality) to each person the proportionate contribution or premium for his age and prospects of life, a community is formed in which those who happen to live long pay rateably for those who happen to die early. As it cannot be foretold which, out of a mass of persons at a given age, will long survive, and which will speedily die, justice is secured all round by fixing the premium according to the observed chances of life for each age. The premium consists of two parts:

(1) The Pure Premium. (2) The Margin or Loading.

The *pure premium* is that annual sum which, paid by a number of persons of any given age, and accumulated at compound interest (say 3 per cent.) will amount at death to their various sums assured. The *margin or loading* consists of a number of additions to the pure premium in order to cover commissions paid by life companies to agents for securing business, office management and advertising, and to provide a margin for possible fluctuations in the rate of mortality above that disclosed by the life-tables, and for profits.

We will show briefly, in different ways, how the single and annual premiums for the risk of death are formed; the investigation where x is employed is a novelty, and has the merit of clearly and directly presenting the process. To save many calculations we assume an age of 100—not that any one would enter an office at that age, but because the extent of computation is reduced. Exactly the same principle of working applies to any earlier age, but there the series of calculations must extend from that age to the age of the longest liver.

In the O^m Table of Mortality (the collected and most recent experience of British offices) the oldest age at which any person is alive is 102. Hence as no one reaches the age of 103, 103 is termed the "limiting age" of the Table. The O^m Table gives the following figures:

Age.	Number living at each age.	Number dying in the year following each age.
100	7	4
101	3	2
102	1	1

These are read thus: 7 persons survive (out of a given number born) to age 100; of these 4 die between the ages 100 and 101, consequently 3 remain alive at age 101, 2 of whom die before reaching 102, the 1 remaining at 102 dying before attaining 103.

We use 3 per cent. as the rate of interest. A single or annual sum of £1 accumulated for 1 year at that rate then amounts to £1.03, *i.e.* we multiply the £1 by 1.03: at the end of 2 years the original £1 becomes 1 $(£1.03)^2$ and so on. Thus the present value of £1 due at the end of 1 year is found by multiplying it by $\frac{1}{1.03}$, or if it is due at the end of 2 years by $\frac{1}{(1.03)^2}$ and so on.

(*a*) To find the single premium to be paid by each member aged 100 for an assurance of £1 payable at death.

Let x be the required premium. Then as 7 persons are alive at that age $£7(x)$ is the total payment required, and with interest this amounts at the end of the first year to $£7(x)(1.03)$.

But at the end of this year 4 deaths occur, and accordingly £4 must be paid. Hence the sum left in hand at the end of the first year is $£7(x)(1.03) - £4$. (It may be remarked that all these tables assume the claim at death is paid at the *end* of the year in which the death occurs no matter at what period in the year death actually does occur.) We start the second year with $£7(x)(1.03) - £4$, which with interest amounts at the end of the year to $£7(x)(1.03) - £4$, multiplied by 1.03, or

$$£7(x)(1\cdot03)^2 - £4(1.03).$$

The two deaths in the second year reduce this fund to

$$£7(x)1.03)^2 - £4(1.03) - £2$$

which at the end of the third year has accumulated to

$$£7(x)(1.03)^3 - £4(1.03)^2 - £2(1.03).$$

Then the last death occurs and the last £1 becomes payable. Obviously the amount in hand at the end of the third year must be exactly equal to the £1 which has to be paid. Hence we have the equation $£7(x)(1.03)^3 - 4(1.03)^2 - 2(1.03) = 1$, and numerically expressing the equation we get:

$$x(7.649089) - 4.2436 - 2.06 = 1$$

whence x is found to be £.9548, which is the single premium which each of the 7 persons living at age 100 must pay down in order that as they die £1 may be paid at each death.

(*b*) We may also work the calculation another way, viz. on the basis of present values. £1 is due by death 3 years hence, or at the end of the year after age 102. £2 are due at the end of the second year and £4 at the end of the first year, *i.e.* before reaching age 101.

The present value of the £1 at end of three years is $\left(1 \times \frac{1}{(1.03)^3}\right)$ *i.e.* £.915142

The present value of the £2 is $2 \times \frac{1}{(1.03)^2}$ *i.e.* £1.885192

The present value of the £4 is $4 \times \frac{1}{1.03}$ *i.e.* £3.883496

The total present value of all the payments at death is therefore £6.683830

and this must be contributed by the 7 persons at age 100. Hence the single premium payable by each is $\frac{6.683830}{7} = £.9548$, which agrees with the amount arrived at by the former method.

The annual premium is obtained in exactly similar ways. If by the first process we call x the annual premium to be paid by each of the 7 persons and their survivors, we notice that the fund in hand at the beginning of each year consists of two parts, viz., (1) all the former premiums reduced by the successive claims, accumulated to the end of the previous year and then accumulated for the

year in question, and (2) the annual premiums paid by the survivors at the beginning of the year we are dealing with, accumulated for that year. Thus we finally get an equation for the annual premium to be paid by each of the 7 as follows:

$$7x(1.03)^3 - 4(1.03)^2 + 3x(1.03)^2 - 2(1.03) + x(1.03) = 1$$

whence $x = £.6158$.

The present value of a life annuity of £1 at age 100 is say a. This is paid at the *end* of each year survived. If we add the value of 1 year's instalment or £1, we get $1 + a$, which is paid at the *beginning* of each year entered upon, *i.e.* with the first payment made at the start. Now an annual premium is obviously a life-annuity payable at the beginning of each year. Hence if we divide the single premium at age 100 by the value of a life annuity at that age increased by 1 we get the equivalent annual premium.

An illustration will be helpful. According to the preceding short Table, out of 7 persons who buy annuities at age 100, 3 survive to age 101 to receive annuities, and 1 reaches 102, and thus obtains the final annuity. Hence the present value of the annuities to be provided for is

$$3 \times \frac{1}{1.03} + \frac{1}{(1.03)^2} \text{ this equals } 3{\cdot}8552.$$

Dividing this by the 7, who buy annuities, we get the contribution of each, or .55074. Adding 1 year's instalment we obtain 1.55074 as the value of an annuity, which makes its payment like an assurance premium, in advance. The annual premium is the single premium of £.9548 ÷ the above annuity value £1.55074 = £.6158 already given.

IV

Profits of a Life Company. In the case of an ordinary commercial undertaking the ascertainment of profits proceeds upon principles generally known and easy of application, but in the case of a life office the operation is more complicated and involves great discrimination and technical skill. Every 5 or 7 years the Actuaries of a Life Co. make a valuation of its Assets and Liabilities, and these valuations are accordingly known as Quinquennial or Septennial valuations. The objects of these valuations are threefold: (1) to ascertain to what extent during the

period under examination the actual rate of (*a*) mortality, (*b*) the net interest obtained upon investments, and (*c*), office expenditure, have respectively exceeded or fallen short of the rate of mortality, interest, and expenditure provided for when the former valuation was made, or in the case of a first valuation when the premiums were formed. (2) To fix the reserve or sum of money to be retained in hand, which, with the future premiums accumulated at the rate of interest adopted for the calculation, will provide sufficient funds to discharge future claims as they fall due, defray future expenditure, and create a profit. (3) To distribute the surplus of the assets, beyond the Reserve thus formed, amongst the policy-holders and the shareholders entitled to share in the distribution, or, should there be a deficiency of assets, to concert measures by which the deficiency may be made good and the financial position of the Company restored to a secure basis.

It must be remembered that the scope of the investigation is not restricted to the ensuing valuation period, but extends to the full term of years covered by the contracts. With regard to (1)*a*, it may be remarked that the pure premium charged is based upon the rate of mortality deduced from past records embodied in the Life Tables, and that the actual rate of mortality disclosed by the experience of a life office may possibly diverge from the experience of the past. With regard to (1)*b*, in calculating the pure premium the compound interest to be received upon the premiums is taken usually at 3 per cent., but as a matter of fact a life office's investments bring them in upwards of £3 15*s*. per cent. With regard to (1)*c*, the addition made to the pure premium (termed the margin or loading) to cover expenses of administration, commissions, &c. may prove to be more or less than necessary according to the economical management of the office, or the reverse.

The valuation of the Liabilities is not necessarily made on the same basis adopted for the formation of the premium. The experience of the office itself is taken into account, and the indications of that experience help to fix the premiums to be employed in the valuation. Those premiums may accordingly be termed *Valuation premiums*.

A Life Company's contracts are not of one uniform kind, and the following brief exposition simply shows the process which is applied to assurances for the whole of life. The factors of valuation must also be adjusted to conform with the practice affecting the contract,

but those need not concern us here. We will assume that a particular company has 12 policies, the holders of which have reached the age of 45 (the number of policies, is, on the ground of inadequacy, absurd, but let that pass). Assume further, that these policies comprise, 1 for £1000, 1 for £900, 2 for £800, 2 for £700, 3 for £600, and 3 for £500; that the respective ages at entry of the holders were 23, 27, 33, 35, 38, and 40, and that the pure premiums payable are £14 6*s.* 5*d.*, £14 12*s.* 4*d.*, £15 16*s.* 4*d.*, £14 16*s.* 3*d.*, £14 1*s.* 11*d.*, £12 12*s.* 4*d.*

The sum of the Assurances is £8200

The sum of the Annual Premiums, payable by the 12 persons is £170.334

Now the present value of £1, payable at death of persons aged 45 is according to the O^{m} Table 3 per cent. £.51122 ∴ the present value of £8200 payable at death of persons aged 45 is £.51122 × 8200 = £4192.

The present value of £1 a year receivable during the lifetime of persons aged 45 is £15.782 ∴ the present value of £170.334 receivable during the lifetime of persons aged 45 is * £15.782 × 170.334 = † £2859.

Hence £4192 is the value of the gross liability of the Company to Policy-holders aged 45, and £2859 is the value of the liability of the Policy-holders aged 45 to the Company in respect of pure premiums.

Hence £4192 − £2859 = £1333 is the value of the net liability of the Company on the whole of its twelve Whole-life contracts at the age of 45. This difference is termed the *Reserve*, or the amount necessary to be set aside, which, with the future pure premiums will enable the Company to pay the whole of the claims arising in respect of assured persons aged 45.

Exactly the same procedure is followed with regard to all the other policies. They are not valued separately, but those appertaining to periods of the same age at the time of valuation are together valued as one policy. Finally, therefore, after the important adjustments referred to at the beginning of this section

* Note; the £15.782 must be increased by one year's payment *i.e.* to £16.782 to make it payable, like an assurance premium, in advance.

† In expressing valuation results the nearer whole number is given.

have been made, the Company's assets and liabilities can be expressed in some such form as the following:

By Funds in Hand, being accumulations of past premiums at compound interest less claims and management expenses and Profits paid prior to the valuation	£2,300,000
To total amount of Reserves set aside for the discharge of future claims . . .	£1,800,000
To surplus	£500,000

NOTE. The provision for future expenses and profits is made by leaving out of account altogether—that is to say not including in the valuation balance sheet—the excess of the premiums actually charged upon the contracts beyond the pure premium involved.

The surplus shown above is not necessarily profit to be distributed. Profit is that portion of the surplus which can prudently be used for distribution. Sometimes a part of the surplus is carried to Reserve to provide against a less advantageous state of the investment market in the future, or to strengthen the Company in other directions. One of the aims of the Actuary is to prevent violent fluctuations in the financial state of the Company. He would not declare a large bonus at one valuation with the risk of a small one, or no bonus at all at a subsequent valuation, but he would recommend such a course as in his judgment would best preserve the Company in a steady state of gradually increasing prosperity.

V

Surrender Values. The views of the public generally upon the subject of surrender values are somewhat hazy, and not infrequently quite erroneous. The person who from any cause desires to surrender his policy is apt to suppose that the office directly benefits by the surrender, and to look with astonishment on what he considers the inadequate value placed upon the surrender. The following considerations will serve to put the matter in a truer and clearer light.

(*a*) The business of life assurance is conducted upon a co-operative basis—not upon individual cases but upon a mass of cases;

and it is only by the preservation of large numbers that safety in the working of the system can be attained.

(*b*) Those who abide by their contracts are as much interested in the surrenders as the particular persons concerned. Each person insured contributes a stated percentage towards the expenses of the office, and withdrawals impose upon those who continue an additional burden to meet those expenses. If a large number of withdrawals occur, the office must, to preserve its position, secure an equal number of fresh entrants, and this can only be done by heavy expenditure in advertising and commission.

(*c*) Surrenders usually take place in the case of young members possessing vigorous constitutions (the reader will remember the H^{m5} table in which the first five years of assurance are left out of the reckoning, solely on the ground that the rate of mortality for the first five years is much lower than subsequently). A policy-holder conscious of an enfeebled constitution is reluctant to relinquish benefits gained in earlier years, when his vigour was less impaired. Hence he strains every nerve to preserve the provision he has made. The consequence is that when withdrawals of the young and vigorous are numerous the rate of mortality amongst those who continue tends to increase, resulting in an increased strain upon the office in the settlement of claims. The same effect is produced upon the mass of insured lives by the withdrawal of a number of vigorous first-class lives as would result from the addition of an equal number of inferior lives.

(*d*) Surrenders are usually made in the early years of the policy, when the expenses—commission, &c.—incidental to obtaining the business press most heavily upon the funds of the office set apart for expenses. The expenses of administration, &c., in connection with renewal premiums average about $7\frac{1}{2}$ per cent. of the premium, but the expenses incidental to new policies, after providing for the risk of death during the year, practically absorb the entire first year's premium. Hence the reserve value of a policy that has existed for a few years only is very small.

(*e*) The adverse effect of withdrawals on the financial position of a life office is further emphasised by the facts that (1) a company will in the case of a lapsed policy, which has acquired a surrender value (*i.e.* a policy upon which the premium due has not been paid but no surrender value has been claimed) continue to discharge the premiums so long as the surrender value is sufficient for the

purpose; and in the event of death occurring before the surrender value has been absorbed in this way pay the amount assured, subject of course to the advances being deducted at interest. This fact not only illustrates the concern of the company for the welfare of its policy-holders as a whole, but also serves to illustrate the generally speaking generous treatment accorded to particular individuals; (2) in cases where the surrender is made by a policy-holder of feeble health, and the risk of a claim through early death is great, the company will pay an enhanced surrender value (where that course would indicate a just regard for the retiring policy-holder), and thus relieve the continuing policy-holders of the burden of paying the full claim.

What is the Surrender Value. The reserve value is the basis of the surrender value allowed—a deduction being made from the reserve value (that deduction being the greater as the duration of the policy is the less)— in order to compensate those who continue their policies for the increased strain: (1) in respect of expenses, (2) in respect of an increased rate of mortality. In practice, offices allow at the outset from 25 to 30 per cent. of the premiums received for non-profit sharing policies, and 40 per cent. and upwards of the premiums paid on policies sharing in profits, inclusive of course of the bonuses added to the policies. A policy acquires a surrender value after three years' premiums have been paid. In place of a surrender value in cash a company will always issue a paid-up policy calculated upon the surrender value, and thus preserve some of the insurance. It has just been stated that the surrender value is based upon the Reserve (or the sum saved up to provide for the payment of the policy); and we have also shown that the Assured in a Company form a community of interests. Hence, when the constitution of that community is adversely affected, in the ways described, by surrenders, it is simply equitable that the payment made to the withdrawing policy-holder should, in the interests of the continuing membership, allow for the approximate monetary value of the increased burdens which his retirement entails.

Test Paper XXXIII

1. If an event can happen in *a* ways and fail in *b* ways and each of these is equally likely, what is the probability of its happening or of its failing?

2. In tossing a coin what is the probability of its turning up a head in two trials?

3. Explain the difference between the Nominal and the Effective rate of Interest.

4. As to the item of "Loading" in Life Assurance, what expenses have to be taken into account on the acquisition of new business?

5. What is meant by "Graduation" as applied to Mortality Tables?

6. Name the conditions necessary in a life policy.

7. Give in your own language a definition of Insurable Interest in Life Assurance.

8. Explain the object of the periodical valuation of a Life Assurance Company.

9. What do you understand by Surplus in the Valuation and what sources of surplus do you consider most important?

10. Explain briefly: Select and Mixed Tables; Rated Lives; Valuation Premium; Policy Value; Deferred Annuities.

11. What is the effect on the finances of a Life Insurance Company of the lapse or surrender of policies?

12. Enumerate the principal sources of profit of a Life Assurance Company. How are the profits usually disposed of (*a*) in Mutual; (*b*) in Proprietary offices?

13. Describe as fully as you can the construction and use of Mortality Tables.

14. Explain as accurately as you can the nature of a Policy of Life Assurance.

15. What is the "Declaration" and what constitutes a legal "Warranty" in a policy of Life Assurance? What do you understand by a "Representation"? What is a properly authorised agent's position in relation to the company in which his principal proposes to insure?

16. In what other ways than yearly may the premium usually be paid? Does it make any difference to the Policy Holder in which way he pays? What is meant by having one's age "admitted"?

17. What are the chief regulations governing the assignment of a Life Policy?

18. What happens if a policy-holder die abroad and direct proof of death is not forthcoming? What is an Endowment Policy?

19. State what you know of the Whole Life Policy. What is a policy upon Joint Lives?

20. Explain by an illustration the process termed "Weighting."

21. What is meant by the following: H^m; H^{mf}; O^m; H^{m5}.

22. Show the method adopted by the actuaries of a Life Company for the purposes of Valuation.

23. What do you understand by Surrender Value? Mention the considerations which determine the value put upon a Surrender.

24. In a valuation how is the provision for future expenses and profits made?

25. What is the present value of £1 payable at the end of five years?

26. What is the value of £1 at the end of 10 years, accumulated at 3%?

CHAPTER XXIV

FIRE, EMPLOYERS' LIABILITY AND OTHER KINDS OF INSURANCE

Fire Insurance

Its Nature. Unlike a policy of Life Assurance a policy of Insurance against the risk of Fire is a contract of indemnity. Death is an event which is bound to happen, hence provided the policy is kept in force by the payment of premiums, funds must be accumulated with which to meet the sum assured when death occurs. But fire may or may not happen, and when, and if it does happen, the insured does not necessarily receive the sum for which he is insured. If, *e.g.*, he be fully insured for £1000, and the market value of the goods destroyed by Fire (or by Lightning, for generally Lightning is included in the meaning of Fire) is proved to be that value, he will receive £1000; but if the loss be any less than the amount insured he will only receive the proved market value of the loss. A person insured under a Marine policy may not only recover the value of the goods damaged or lost, but he may actually make a profit on them, just as he would had they been sold in the ordinary course of trade. But in Fire insurance he may not make any profit. It is indemnity pure and simple. The theory of Fire insurance is simply that a number of persons combine together and, by contributing fixed annual sums apportioned to the character of the risk, pay for the damage caused by fire to the whole body of the insured. As in Life Assurance, the premiums payable are in excess of the actual risk, in order to provide funds for the upkeep of the office, and for dividends to the shareholders of the company insuring the risk. The principal source, however, whence shareholders' dividends are derived is from interest on funds invested.

Adjustment of Rate to Risk. The student has been shown how Life Assurance premiums are computed, viz., on the basis of the observed duration of life at different ages, as disclosed by mortality bills, corrected by mathematical processes, and by the actual experience of the offices themselves in respect of assured lives. Fire insurance premiums are assessed in a similar way. Statistics of the number of fires occurring in a particular area, or in particular trades, and the extent of the damage, are collected over long periods, and averages are struck. It is apparent that these averages cannot have the exactitude of the Tables on which Life Assurance premiums are based, but they are sufficiently near for practical purposes, and competition amongst fire offices themselves for new business tends to correct any tendency to over estimating risks, and charging excessive premiums. A fire office is not an effective organisation if it charge one set of policy-holders too high, and another set too low a rate, and ineffective organisations are everywhere slowly but surely pushed into the background. Again fire companies are constantly watching their experience in different trades and localities. They note the beneficial effects of fire appliances in extinguishing and preventing fires, and the extra risks occasioned by dangerous manufacturing processes, or particular styles of buildings, upon the surrounding property. Any reduction in the risk is followed by a reduction in the premium, and *vice versâ*. And as the policies are usually yearly contracts renewable or terminable either by the company or the policy-holder, at the end of each year, this revision of premiums is possible as often as experience shows it to be necessary.

Two Kinds of Fire Offices. Fire offices are divided into two classes: (1) *Tariff offices*, (2) *Non-Tariff offices*. The tariff offices are members of the Tariff Association, which fixes the rates for different descriptions of the more serious kinds of risks, and by agreement they are bound to charge the rates so fixed. Non-tariff offices, on the other hand, are outside the jurisdiction of the Tariff Association, and prefer to assess each risk on its merits, and charge their premiums accordingly, but these offices are neither very numerous nor very powerful. It has been said that the Tariff Association is an organisation whose aim is merely to keep up the rates. But this, if true, is only true in a sense not meant by those who urge this objection. For, if the Association sees that extra risks carry their proper share of extra premium, then it follows that

non-hazardous risks are relieved to a similar extent. The Association has undoubtedly rendered great services to the whole body of insured persons by (1) introducing uniformity in place of the divergency of practice that at one time prevailed amongst fire offices, (2) by adjusting the premiums to the risk, so that the burden of the extra premium falls upon the right shoulders.

Who may Insure. Any person may insure who has an insurable interest, either legal or equitable, in the subject-matter of the insurance. A *legal* interest exists where the insured is the actual owner of the property. An *equitable* interest exists where the interest in the property falls short of actual ownership, *e.g.* the interest in property possessed by one who has advanced money upon it, or agreed to purchase it. A mortgagee may insure, so also may a trustee, or the executor or administrator of an estate.

The Proposal. As with Life Assurance and Marine Insurance the utmost good faith is necessary on the part of the proposer. A statement of fact amounts to a *warranty*, and where statements are made to the best of the proposer's knowledge and belief they are *representations* which must embody substantial accuracy. Fraud invalidates a contract of fire insurance, so also does concealment of material facts. The property must be accurately described, and all information necessary to enable the company to form an accurate estimate of the risk must be freely and frankly given. The maxim of *caveat emptor* (*see* p. 132) does not apply to insurance.

Procedure. The proposal is usually, but not of necessity, made out on a printed form. As soon as the company has considered the proposal, and fixed the annual premium, and the proposer has paid it, the company issues a receipt or acknowledgment of the premium which protects the proposer, in the terms of the company's policy, till either the risk has been accepted, and a policy has been issued by the company, or till the company has intimated their unwillingness to accept the risk. When a company is unable to fix a premium at once a deposit is exacted from the proposer, and a deposit receipt is issued in exchange. This deposit receipt similarly protects the proposer up to a certain date, or till a policy has been issued, or the risk declined. On a simple risk, *e.g.* a private dwelling-house, or goods warehoused in a well-known depository, a company will quote a premium straight away, and on receipt of it will immediately proceed to issue a policy; but in other cases the risk is first surveyed by the company's surveyor, who reports thereon

to the company. On this report the proposal is accepted and the premium payable fixed, or else the risk is declined. When a policy has been issued it is incumbent upon the insured to advise the company of any change whereby the risk to the subject-matter is increased, or of the removal of the subject-matter to locations not mentioned in the policy, and to obtain the company's endorsement on the policy agreeing to such removal or such change, and to pay any additional premium the company may require to cover any increased risk.

Kinds of Policies. A policy may be (1) *Specific*, (2) *Average*, (3) *Floating*, (4) *Valued*.

A Specific Policy is one which insures any one risk for a definite sum payable to the insured if the loss reach that amount, irrespective of the actual value of the subject-matter insured. For example, if a policy for £500 be taken out upon goods whose actual value is £2000, and a fire occur doing damage to the extent of £500, then that amount is payable notwithstanding that the goods were only insured for one fourth of their value. It is, however, usual to insure property for its full approximate value, and when rating a specific risk it is as a rule assumed that such is the case.

An Average Policy. In many insurances, and always where two or more risks are insured in one single amount, the *Average Clause* is inserted in the policy. The effect of this clause is to make the insured bear a rateable portion of every loss. For instance, take the case mentioned above, and assume that the average clause was in the policy. The property is insured for £500, its market value is £2000, and the amount of the loss is £500, then, as the property is only insured for one fourth of its value the company would pay one fourth the loss, viz. £125, the insured bearing the remainder of the loss, viz. £375, himself. If the insurer insures for the full value of the property he will not suffer from the insertion of the Average Clause.

A Floating Policy is one covering property in different localities, which may be limited in the policy to certain specified premises or areas. Such a policy is frequently taken out upon goods lying at dock and other warehouses awaiting removal either by shipment or sale. The Average Clause always operates in connection with these *Floaters*, as such policies are called. Usually a marine clause is attached to the policy, providing that the company shall not be liable "for any loss or damage to property which at the time of the

happening of such loss or damage, is insured by, or would but for the existence of this policy be insured by any marine policy or policies, except in respect of any amount (not exceeding the sum hereby assured) which may be in excess of the amount which would have been payable under the marine policy or policies had this policy not been effected."

Valued Policy. As the basis of fire insurance is indemnification or loss or damage, the onus of proof of the extent of the loss or damage rests upon the insured. The insured must prove his loss on the basis of the market value of the property damaged or destroyed. In the case of trading companies the production of the books, where they are not destroyed, furnishes easy proof; but in the case of domestic effects it is not so easy to furnish proof. In the latter case it is a good plan to keep in some safe place an inventory of the contents of the house. The difficulty of proving loss (though generally fire companies settle claims on a generous basis) has, particularly in respect of insurances of domestic effects, led to the introduction of the *valued policy*. A properly qualified valuer makes an inventory of the property and assesses its value, which is admitted by the company. If a fire occur and the property is destroyed (it need not necessarily be wholly destroyed, but damaged to the extent of making it worthless) the company pays the admitted value of the property without any question of depreciation. These policies are very much open to abuse, and their legality has been called in question, as they tend to destroy the fundamental basis of fire insurance, viz. indemnity. Besides, they appear somewhat unnecessary, for companies as a whole conduct their business with minute regard to justice, and pay claims promptly and generously ; and they do this, not as an act of grace, but because the very essence of a company's success lies in the continued and growing goodwill of its policy-holders.

Insurance of Loss of Profits. Recently Fire Insurance Companies have extended the scope of their policies to include loss of profits and other losses consequent upon fire. Such losses may be even more serious than the material loss to buildings and effects, for apart from the loss of profits involved in the dislocation of business, the insured may have to meet heavy standing charges, although the business may, for a considerable period, be unproductive. The method of arriving at a settlement is as follows. An accountant, mutually agreed to by the insured and the company, ascertains

the shortage between the turnover of the business in each of the months (not exceeding the time mentioned in the policy) following the fire, and the turnover of the corresponding months of the preceding year, and the insured is paid such a percentage on the shortage as the amount insured by the policy bears to the turnover for the last financial year. Thus, a policy is effected for, say, £4000, and the turnover for the preceding year was £40,000. The policy-holder is therefore insured for $\frac{1}{10}$ of the turnover. If the shortage in the turnover for, say, four months after the fire and the corresponding four months of the year preceding, is found to be £12,000, then the company will pay the insured $\frac{1}{10}$ of that amount, or £1200, plus any extra cost of working entailed by the interruption of the business not exceeding in all the sum insured. The rates for these policies are about the same as those charged for the policy on buildings and effects.

Loss of Rent. In cases where buildings are insured against fire it is prudent also to insure for a year's rent and architect's and surveyor's fees which would be incurred by, or lost to, either the landlord or the tenant during the process of reinstating the premises. Unless the lease contains a clause relieving the tenant from the payment of rent, should the premises be rendered uninhabitable by fire, the tenant would have to pay the rent, though the landlord had insured the premises and recovered the loss. Rent and expenses incidental to re-instatement may be insured at the same rate as that charged for the building itself. Rent can be insured in the ordinary policy, or under the Loss of Profits Policy.

Samples of Rates. Private dwelling-houses, brick or stone built, slated or tiled, in no hazardous proximity—1/6 per cent. Household goods therein 2/- per cent. Shops and warehouses, similarly built and circumstanced, in which no hazardous goods are stored or hazardous trades carried on, stock and trade utensils, furniture, &c., in such shops, from 2/- per cent. Private dwelling-house, brick and timber built, tiled or slated, in no hazardous proximity and household furniture in such houses, from 2/6 per cent. Shops and warehouses similarly built and circumstanced, in which no hazardous trade is carried on or hazardous goods deposited; stock and trade utensils, fixtures and furniture in such shops and warehouses, from 3/- per cent. The rates charged for more hazardous risks vary so greatly that no useful information can be given in respect of them.

Term of the Policy. Fire Policies are usually annual policies falling due on a quarter-day, and terminable, either by the company or the insured, at the end of the annual period. Premiums are payable in advance. Fifteen days of grace are allowed on annual policies in which to renew by payment of the premium, and should a fire occur during the period of grace the company will recognise the claim, provided the premium is immediately tendered, for unlike a Life Company a fire company is not bound to set off the unpaid premium against the claim arising for settlement. The renewal receipt is evidence that the policy remains in force. A policy may be taken out for less than twelve months. Such policies are termed *short period policies*, and are not renewable like annual policies. If it be desired to continue a short period policy, notice must be given to the company prior to its expiration, and a fresh policy taken out, but as a rule ten days of grace are allowed. There are also septennial policies, and others for terms of years called *long period policies*. The premiums are payable in advance, and graduated discounts are allowed from the premiums in respect of advance payment. The arrangements for renewal are similar to those for short period policies, except that as a rule fifteen days' grace are allowed. Fire Policies are stamped with a penny stamp.

Losses Excluded by Policy. A fire policy does not cover property held in trust, or on commission, unless expressly described as such, and where claims are paid in respect of such declared property the amounts so paid pass to the real owner of the goods. China is not covered by a fire policy, nor glass, looking-glasses, jewels, clocks, watches, trinkets, medals, curiosities, MSS., Government stamps, prints, paintings, drawings, sculptures, musical, mathematical or philosophical instruments, patterns, models or moulds, unless such goods are specially mentioned in the policy, but the ordinary Household Furniture Policy almost invariably covers them. The following are never covered by a fire policy: Deeds, Bonds, Bills of Exchange; Promissory Notes, Money, Securities, Books of Account, Gunpowder; loss ordamage to property occasioned by or happening through its own spontaneous fermentation or heating, or by or through earthquake or subterranean fire, or by or through invasion, foreign enemies, riot, civil commotion or military or usurped powers, or by explosion, except loss or damage by explosion of gas in the premises referred to in the policy not forming part of any gasworks.

Two or more Policies insuring one Risk. A clause in fire policies

exempts the company from liability for more than its rateable proportion of the loss or damage by fire in all cases where more than one policy exists on the same risk whether effected by the insured or by any other person. And, further, if any subsisting policy or policies are subject to average then all are subject to average.

More than One Fire in a Year. If more than one fire occurs in respect of the same insured property during a single year a company is not liable for any greater sum than the amount for which the property was at the outset insured. Thus, if property be insured for £2000, and a loss incurs involving the company in the payment of £1000, and later on in the year another fire occur totally destroying the property the company is not liable to a greater extent than £1000, *i.e.* the difference between the claim first paid, and the amount of the original assurance, unless an additional premium has been paid to reinstate the amount of the first loss.

Re-instatement Clause. All fire policies contain a clause providing that the company may, if they so decide, reinstate property destroyed or damaged, instead of settling the claim in cash. This provision imposes a check upon fraud. The moral hazard is much greater in respect of Fire Insurance than in Life Assurance or in Accident or Marine Insurance. History records but few cases where people have wilfully taken their own lives or the lives of others, or intentionally embarked upon a vicious course of life with a view to the speedy ending of their days in order that themselves or others should benefit by the money payable under a policy of Life Assurance. Unhappily, however, not a few have deliberately maimed themselves in order to benefit under an accident policy, or, when an accident has occurred, have wilfully magnified its effects, and preferred exaggerated claims based upon their mendacity. But still more have been found whose moral character has given way in the face of financial difficulties, and who have deliberately set fire to insured property hoping to extricate themselves from their difficulties at the expense of the insurance company, and at the risk of involving the property of others in the process. Hence claims are vigorously scrutinised by a fire company, and challenged upon the slightest suspicion of fraud. What are termed *Fire Inquests* are far from uncommon. It is apparent that vigilance of this kind is exerted by a company, not alone in its own interests, but also in the interests of the whole body of the insured. For failing this watchful regard on the part of the

company, the premium payable against the risk of fire would be very much increased.

Arbitration Clause. All fire policies contain a clause providing that, in the event of disagreement between the Company and the policy-holder, and where the Company does not allege fraud, the differences shall be submitted to the arbitrament of two impartial persons, one chosen by the Company and the other by the insured; and that should the arbitrators disagree, then that the matter shall be referred to an umpire selected by the arbitrators, whose award shall be final and binding upon both parties.

Where Policy Becomes Void. A clause provides that where, through failure on the part of the insured to observe the conditions of the policy, it becomes void, all moneys paid to the Company in respect of the policy are forfeited.

Assignment of Policy. A contract of fire insurance is purely between the Company and the insured. The latter can only assign his policy with the Company's consent. An insured person must not only have an insurable interest in the property at the time of insuring, but he must also have an insurable interest at the time fire occurs. Hence, if he disposes of his interest, the person acquiring it would, in the event of fire, have no claim upon the Company unless they had consented to the transfer of the policy, and the vendor also would have no claim, because he had no insurable interest in the property. But if the property passes by will or by operation of law, the policy remains in force. A policy is transferred by endorsement of the policy by the Company.

Making a Claim. The insured must give notice in writing to the Company immediately on the happening of the loss, and must, within fifteen days, and in writing, deliver to the Company a statement of the loss or damage, with as full particulars as may be practicable of the several articles damaged or destroyed, and the estimated value of each, supported by the necessary vouchers, and it required a statutory declaration as to the truth of the statement. The values must be the *market* values of the articles at the time of the fire. No claim is payable by the Company till these stipulations have been complied with. The Company has the power in case of fire, either by its authorised officer or a servant, to enter the building where fire or damage has occurred, and for a reasonable time to remain in possession of any insured property contained therein for all reasonable purposes relating to or in connection with the insur-

ance. Claims are usually adjusted by men known as *Assessors*—skilled valuers—who may or may not be servants of the Company concerned.

Employers' Liability Insurance

The law relating to the liability of masters to their servants is contained in (1) *The Common Law*, *i.e.* the law originating in no formal enactment of the Legislature, but unwritten, and founded upon tradition, and the general custom of the realm as interpreted by the judges; (2) *The Employers' Liability Act*, 1880; (3) *The Workmen's Compensation Act*, 1906, which amplified and superseded the Acts of 1897 and 1900.

(1) *Under the Common Law*, a servant has a legal remedy against an employer for injury caused by the employer's personal negligence, or by the personal negligence of some person for whose act or default the employer is responsible. In such cases the servant may bring an ordinary action for damages against the employer in the High Court of Justice, or the County Court, the Lord Mayor's Court in London or other special court, *e.g.* the Court of Passage at Liverpool or the Salford Hundred Court at Manchester. Such actions are, however, now rare, as for the most part employers take all reasonable care for the safety of their servants.

The Employers' Liability Act, 1880. By this Act the employer's liability is extended, and the defence of common employment which might be successfully raised in an action for damages under the common law is lost in the following cases:

(1) Where there was a defect in the condition of the ways, works, machinery, plant, &c.
(2) Where the superintendent, &c., was guilty of negligence.
(3) Where the foreman, &c., negligently gave orders which the workman obeyed.
(4) Where the accident was occasioned by observance of bye-laws or particular instructions, &c.
(5) Where the accident was due to the negligence of a signalman, engine-driver, &c., on a railway.

Under this act the word "workman" includes *a railway servant, and any person who, being a labourer, servant in husbandry, journeyman, artificer, handicraftsman, miner or otherwise engaged in manual labour, whether under or above twenty-one, has entered into or works under a contract with an employer, whether the contract be made orally or in*

writing, and be a contract of service or a contract personally to execute any work or labour, and apprentices to any such workman as is within the Act, where no premium has been paid, or the premium does not exceed £25, and apprentices bound under the Acts relating to the relief of the poor. But it does not include (1) a domestic servant, (2) seamen or apprentices to the sea, (3) where the Act is contracted out of, *i.e.* where the contract of service stipulates that the liability shall not be borne by the employer. Under this Act notice of injury must be given within six weeks of the accident, and action commenced in the County Court within six months, or in case of death within twelve months, and the employer's liability is limited to a sum not exceeding the estimated earnings of the workman for the three years prior to the accident.

The Workmen's Compensation Act, 1906, still further extends the liability of employers to their servants. *Firstly*, the word "employer" covers sole trader (man or woman), partnership, limited company, executor of a deceased employer (in this case either the executor or the estate is liable), and where an employer temporarily lends or hires out a servant to a third person. *Secondly*, the word "workman" means any person, male or female, who has entered into or works under a contract of service or apprenticeship with an employer, whether by way of manual labour, clerical work or otherwise, or whether the contract is expressed or implied, is oral or in writing. The exceptions are (1) persons earning more than £250 a year, not employed in manual labour, (2) persons casually employed outside the employer's trade or business, (3) members of a police force, (4) outworkers, *i.e.* person to whom articles are given out to be made up, &c., or adapted for sale in their own homes, or in some place not under the control or management of the employer, (5) members of the employer's family dwelling in his house. *Thirdly*, the employer's liability in the case of death to a workman through accident extends to the workman's dependents, *i.e.* to those members of the family wholly or in part dependent upon the workman's earnings at the time of death; and illegitimacy, either of the workman or the dependents, is no bar, provided that the members of the family were to any extent reliant upon the workman for support. *Fourthly*, the workman may have contributed to the accident by his own carelessness, or have disobeyed the lawful orders of his employer, and still be entitled to compensation, provided that the accident arise *out of and in the course of the employment.* The only

defence that can be raised against claimants for compensation under this Act is that the accident was the result of the workman's own serious and wilful misconduct, and even this defence is not available if the accident so caused result in death or serious and permanent disablement.

Compensation Payable under the Act. In the case of (1) *Death.* The dependents, if wholly dependent, may recover a sum equal to the earnings of the deceased for the three years immediately prior to the accident, or 156 times the workman's average weekly earnings with the same employer, if he have not been employed for so long as three years; or £150, whichever is the larger, but in no case a greater sum than £300. If the dependents be partially dependent such a sum, not exceeding £300, as may be agreed upon, or in case of disagreement as may be awarded by arbitration provided for under the Act, as reasonable and proportionate to the injury to the dependents. If the workman leave no dependents, then the amount payable is the reasonable expense of medical attendance and burial, not exceeding a sum of £10.

(2) *Total* or *partial incapacity.* The workman may be awarded a weekly sum during incapacity not exceeding 50 per cent. of his average weekly earnings during the previous twelve months, or if he have not been so long employed, during the period of his employment with the same employer, such weekly payment not to exceed £1. If the incapacity lasts less than two weeks, then no payment shall be made in respect of the first week. And if the workman be totally incapacitated and under twenty-one years of age, and the average weekly earnings be less than 21*s.*, the proportion of the average weekly earnings payable shall be 100 per cent. instead of 50 per cent., but in no case shall the weekly payment exceed 10*s.*

It should be added that the Act affords such facilities for the adjudication of claims made in respect of it as materially to reduce the expense and trouble incidental to ordinary legal process.

Need for Insurance. The provisions of this Act are so far-reaching, and the liability thrust upon employers is so onerous, that no prudent business man is content to remain unprotected. He takes out a policy of insurance under which, in exchange for a yearly premium, the insurance company assumes liability for any compensation that he might become liable for under the Act.

Procedure, &c. The employer makes out a list of his employés with the amount of wages, salary, and other earnings paid to each

of them (adding an allowance for board and lodging if he board and lodge them), and the amount of the premium payable is expressed as a percentage of the total wages, &c., paid. This is for servants employed in business. Private employés are rated at so much *per capita*. The employer must keep a proper wages book and permit the company to inspect it at any time, and deliver an abstract of the said book annually within one month from the expiry of the period for which the policy is in force, and if the premium paid shall turn out to be more or less than that warranted by the earnings of the employés, then the employer or the company, as the case may be, must hand over the difference between the premium paid and that payable. The rendering of annual abstracts, and the provision as to refund by the company, or complementary payment by the insured, may be excused where the total wages paid do not exceed £150 per annum. The insured must give notice of any accident or decease covered by the policy immediately it happens, or of any incapacity resulting therefrom, as soon as it is brought to his notice, and must hand over to the company, after receipt, every written notice or information as to the claim and of all proceedings taken by the employé in respect of it. The insured must not incur any expense by litigation or otherwise, or make any settlement or acknowledge any liability in respect of any injury for which the company is liable under the policy without the company's consent, and the company shall be entitled to use the name of the insured including the bringing, enforcing or settling any legal proceedings for the benefit of the company, and the insured must give all necessary information and assistance to the company to enable the company to settle or resist any claim as the company shall think fit. The costs and expenses of defending or resisting claims is borne by the company. Differences between the insurer and the insured arising from the interpretations of the policy are to be settled by arbitration, and the company is not to be liable for any claims, &c., arising before the actual receipt of the premium or after the expiry of the policy and before receipt of the renewal premium. A clause usually absolves the company from liability in respect of employés in the employ of sub-contractors to the insured, but this may be nullified by endorsement of the policy by the company, and after payment of appropriate consideration in respect thereof by the assured.

Rates of Insurance. The following are approximate rates:

Shop assistants	from 4 per cent. Among the lower rated risks in respect of shop assistants are drapers', hosiers', stationers', tailors', jewellers', booksellers', and the like.
Warehouse hands	from 5 per cent. and upwards
Factory hands	„ 4 „ „
Builders' hands	„ 20 „ „
Commercial travellers	12/6
Clerks	3/-
Farm hands	from 10/- and upwards
Drivers	„ 15/- „
Indoor domestic servants	2/6 per capita
Gardeners	5/- „
Coachmen	7/- „
Chauffeurs	20/- „

Other Kinds of Insurance

Casualty Insurance. Policies may be taken out insuring for the payment of a specific sum in the event of death through accident, or in case of incapacity through accident, of a stated sum per week during the continuance of the incapacity. Almost every description of accident may be insured against.

Boiler Insurance. Policies are issued after inspection of the boilers, insuring against explosion, damage to surrounding property, loss of life, and injury to employés.

Fidelity Guarantees. Fraud on the part of employés and consequent financial loss to employers is unfortunately common, and in exchange for the payment of an annual premium (sometimes paid by the employés themselves), an employer may insure the whole of his staff, and thus protect himself against loss of the kind. The company insuring the risk inquires into the history of each employé before issuing a policy. The inquiries are fairly thorough, so that an employer may be sure, if a company is prepared to insure a particular employé, that his record is clean.

Burglary. Insurance may be effected against burglary and also against larceny by servants where the insurance covers a private dwelling-house.

Plate Glass. Shopkeepers may insure against damage to their

windows, and the plate glass used in the exteriors or interiors of their shops.

Miscellaneous Insurances. Insurances may be effected against loss or damage to crops through *hailstorms;* to *carriages* and *vehicles* through accidents; to *horses* and *cattle* and *live stock* generally. A *cyclist* or *motorist* may insure against loss or damage to his machine or to himself. Insurance may be effected against the loss of *keys* and *season tickets*, the loss of *licences*, or of *bonds* and *valuable documents* generally, or against a possible depreciation in value of *mortgages* and *debentures*. *Diseases* may be insured against, so also may *bad debts*. In fact, so wide has the principle of insurance been extended in order to meet the complex conditions of modern life that a person may protect himself against almost every untoward event that can possibly happen to him.

Test Paper XXXIV

1. Explain as fully as you can the nature of a Fire Insurance Policy.
2. How is the rate chargeable upon Policies ascertained?
3. What persons may take out a Fire Policy?
4. Suppose you owned a building, value £10,000, and insured it for that sum. You sell the building, which, prior to the assignment of the policy, is destroyed by fire. Who bears the loss?
5. Why does *Caveat Emptor* not apply to Insurance business.
6. What ought to be done by an insured person if he remove insured property from one location to another, or effect any structural alterations in the building by which the risk of fire either to building or goods is increased? What, on the other hand, ought the Insurer to do if the changes result in a diminution of the risk?
7. Explain "Short period Policies" and "Long period Policies." What are the arrangements for renewal in respect of the various kinds of Fire Policies.
8. A person is insured for £1000 and the insurer pays out in January the sum of £800 in respect of a claim. In July of the same year another fire occurs and the subject-matter of the insurance is completely destroyed. What is the position of the insured?
9. What kinds of losses are generally excluded by a Fire Policy, and what are never included? What is the object of the "Re-Instatement Clause"?
10. In claiming compensation under a Fire Policy, what is the procedure?
11. What is the definition of a "Workman" under the Workmen's Compensation Act, 1906, and what is meant by a "Dependent"?
12. A workman through his own carelessness and disobedience of orders, is severely injured, and unable to follow any employment. Is he entitled to compensation? If so, how would it be assessed?
13. Suppose that the workman in the preceding question was killed. What then would be the compensation payable?
14. What do you understand by "Contracting Out" and an "Outworker"?

15. How is the premium payable under a Workmen's Compensation Policy assessed? Give a few sample rates.

16. What do you understand by Fidelity Guarantee?

17. Suppose a workman under 21 years of age and earning less than 21*s.* a week is permanently disabled through an accident arising out of and in the course of his employment. To what compensation is he entitled?

18. What do you understand by the expression "The Common Law"?

19. Mention four kinds of Insurance, other than Life, Fire, Marine and Workmen's Compensation Insurance.

20. What do you know about Table A.?

21. Define "Floating Policy" and state the advantages of taking out such a policy in (*a*) Fire Insurance; (*b*) Marine Insurance.

22. What broad distinctions are there between Life Insurance and Marine or Fire Insurance? Explain (*a*) Average Clause (Fire Insce.) (*b*) Warranty (Life Assce.); (*c*) Representation (Life Assce.); (*d*) Insurable Interest; (*e*) Specific Policy; (*f*) Floating Policy; (*g*) Constructive Total Loss.

23. Distinguish between General Average and Particular Average.

24. State the reasons why Bottomry and Respondentia bonds are no longer necessary.

25. What is the difference between Insolvency and Bankruptcy? What is an Act of Bankruptcy? Give a list of such Acts.

LIST OF ABBREVIATIONS USED IN COMMERCIAL CORRESPONDENCE

A

a.	anna (Indian coin).
@	at.
a. a. r., a. r.	against all risks (Insce.).
A. C. A.	Associate of the Institute of Chartered Accountants in England and Wales.
a/c, acct.	account.
A1.	the description of a First Class Ship in Lloyd's Register of Shipping.
ad lib.	at pleasure (Latin, *ad libitum*).
ads., advts.	advertisements.
ad val.	according to value (Latin, *ad valorem*).
agt.	against.
Agt.	Agent.
Al., Ala.	Alabama (U.S.A.).
Alas.	Alaska (N. America).
amt.	amount.
a.m.	morning (Latin, *ante meridiem*).
Ans.	Answer.
a/o.	account of.
a/or	and or.
A. P.	Additional Premium (Insce.).
Arr.	Arrival.
Ark.	Arkanzas (U.S.A.).
Ariz.	Arizona (U.S.A.).
A/S.	Account Sales.
Asst.	Assistant.
avoir.	avoirdupois.

B

Bal.	Balance.
Bdl.	Bundle.
Beds.	Bedfordshire.
Berks.	Berkshire.
B/E.	Bill of Exchange.
B'ham.	Birmingham.
B. H. P.	Brake Horse Power.
Bk.	Bank ; brick.
bl.	bale.
B/L.	Bill of Lading.
B. O.	Branch Office ; Buyer's Option.
B. O. D.	Buyer's option to double.
Boro'.	Borough.
B. P.	Bills payable.
B. R.	Bills receivable.
brl.	barrel.
Br(s)., Bro(s).	Brother(s).
bt.	bought.
Bucks.	Buckinghamshire.
bush.	bushel.
Bx(s).	Box(es).

C

c.	cent, American coin ; centime, French coin ; centavo, Span. American coin ; copeck, Russian coin.

C. A.	Chartered Accountant.
Ca. Cal.	California (U.S.A.).
Cambs.	Cambridge(shire).
caps.	capital letters (printing).
Capt.	Captain.
C. B.	Cash Book.
C. C.	County Council; Continuation Clause (Insce.).
C. E.	Civil Engineer.
cent.	hundred.
cf., cp.	compare.
c. f.	cost and freight.
cg.	centigram.
Chqe., Chq.	Cheque.
C. H.	Custom House.
Cie.	Company (French *Compagnie*).
c. i. f.	cost, insurance and freight.
ck.	cask.
cm.	centimetre.
C/N.	Credit Note.
c/o.	care of.
Co.	County; Company.
C. O. D.	Cash on Delivery.
Com., Comm.	Commission.
Cont. B. & H.	Continent between Bordeaux and Hamburg (Insce.).
Cont. H. & H.	Continent between Havre and Hamburg (Insce.).
C. P. R.	Canadian Pacific Railway.
C. R.	Caledonian Railway.
Cr.	Credit; Creditor.
C. S.	Clerk to the Signet (Scotch); Civil Service; Court of Session.
c/s.	cases.
Ct.	Cement, Court.
C. T. L.	Constructive Total Loss (Insce.).
ctge.	cartage.
cum. div.	with dividend.
C. W. O.	Cash with Order.
cwt.	hundredweight.

D

d.	pence.
D/A.	Documents against acceptance.
Dak.	Dakota (U.S.A.).
Dbk.	Drawback.
D. C.	District of Columbia (U.S.A.); Detention Clause (Insce.).
D/C.	Deviation Clause (Insce.).
D/D.	Days after date.
Ddt.	Deduct (Surveying).
Deld.	Delivered.
De., Del.	Delaware (U.S.A.).
Dept.	Department.
Dft.	Draft.
Div.	Dividend.
Dis., Disct.	Discount.
D/N.	Debit Note.
D/O.	Delivery Order.
Do.	Ditto.
Dols.	Dollars (American coin).
Doz.	Dozen.
D/P.	Documents against payment.
D. R.	District Railway.
Dr.	Debtor; Doctor.
D/S.	Days after sight.
dwt.	pennyweight.
d/y, dely.	delivery.

E

E.	Eastern Postal District of London.
E. C.	East Central Postal District of London.
Ecua.	Ecuador (S. America).
E. E.	Errors excepted.
e. g.	for example.
Enclo(s).	Enclosure(s).
Ent. Stat. Hall.	Entered at Stationers' Hall.

E. & O. E.	**Errors and omissions excepted**
etc.	**and the rest (Latin, *et cetera*).**
ex. cont.	from contract.
exd.	examined.
ex. div., e. d., x. div.	exclusive of dividend.
et seq.	and that which follows.
et sqq.	and the things following.
	F
f. a. a.	free of all average.
f. a. q.	fair average quality.
f. a. s.	free alongside ship.
Fa., Fl., Fla.	Florida (U.S.A.).
F. C. A.	Fellow of the Institute of Chartered Accountants in England and Wales.
fcp., fcap.	foolscap.
F. C. & S.	Free of capture and seizure (Insce.).
F. D.	free docks.
Fr. E.	French ells.
F. G. A.	Foreign general average (Insce.).
fl.	florin (Austrian coin).
F. L. N.	Following Landing numbers (Insce.).
Fl. E.	Flemish ells.
F. O.	Foreign Office; For Orders (Insce.).
f. o. b.	free on board.
f. o. c.	free of charge.
f. o. r.	free on rail.
f. o. s.	free on steamer.
f. o. t.	free on truck.
fo., fol.	folio.
fr.	franc (French coin).
ft.	foot or feet.
f'wd.	forward.
	G
Ga., Geo.	Georgia (U.S.A.).
G. A.	General Average (Insce.).
Gal(s)., Gall(s).	Gallon(s).
G. C. R.	Great Central Railway.
Gdns.	Gardens.
G. E. R.	Great Eastern Railway.
G. I. T.	Grooved for Iron Tongues (Timber).
Glam.	Glamorgan.
Glos.	Gloucestershire.
Gloster.	Gloucester.
gm.	gramme.
G. M. Q.	Good Merchantable Quality.
G. M. T.	Greenwich Mean Time.
G. N. R.	Great Northern Railway.
Goods.	Goods Train.
G. P. O.	General Post Office.
Govt.	Government.
gr.	grain.
grs.	gross; grains.
G. S. W. R.	Glasgow and South Western Railway.
G. W. R.	Great Western Railway.
	H
Hants.	Hampshire.
H. B. C.	Hudson's Bay Company.
H. B. M.	His Britannic Majesty.
H. C.	Held covered (Insce.).
Herts.	Hertfordshire.
hf. cf.	half calf (binding).
hhd.	hogshead.
H. M. C.	His Majesty's Customs.
Ho.	House.
H. P.	Horse Power.
H. P. N.	Horse Power Nominal.
hr.	hour.
Hunts.	Huntingdonshire.
	I
Ia., Io.	Iowa (U.S.A.).

Ida.	Idaho (U.S.A.).
Id.	the same (Latin, *idem*).
i. e.	that is (Latin, *id est*).
I. H. P.	Indicated Horse Power.
Ier	First (French, *premier*).
Ill.	Illinois (U.S.A.).
Ind.	Indiana (U.S.A.).
Ind. T.	Indian Territory (U.S.A.).
in.	inch.
Insce.	Insurance.
inst.	instant (*i. e.* the present month).
Int.	Interest.
Inv.	Invoice.
I. O. M.	Isle of Man.
I O U.	I owe you (*no full stop between letters*).
I. R. O.	Inland Revenue Office.
I. W.	Isle of Wight.

J

Jno.	John.
Jun., Junr., Jr.	Junior.
Junc.	Junction.

K

Kan., Kans.	Kansas (U.S.A.).
Ken., Ky.	Kentucky (U.S.A.).
kg., kilo., kilog.	kilogram.
kilom.	kilometre.
kl.	kilolitre.
kr.	kreutzer, Austrian coin; German coin; krone, Norwegian coin.

L

£	Pound(s).
Lancs.	Lancashire.
lb(s).	pound(s) (weight).
L. B. S. C. R.	London, Brighton and South Coast Railway.
l. c.	lower case (printing).
L/C.	Letter of Credit.
L. C.	Label Clause (Insce.).
L. C. D. R.	London, Chatham and Dover Railway.
Lincs.	Lincolnshire.
lit.	litre.
L. N. W. R.	London and North Western Railway.
L'pool.	Liverpool.
L. S. W. R.	London and South Western Railway.
L. S.	Place of the seal (Latin, *locus sigelli*).
Ltd., Ld.	Limited.
L. T. S. R.	London, Tilbury and Southend Railway.

M

m.	metre.
M.	Monsieur (French).
Ma. Minn.	Minnesota (U.S.A.).
Mass.	Massachusetts (U.S.A.).
max.	maximum.
M. C.	Metalling Clause (Insce.).
M/chtr.	Manchester.
Md.	Maryland (U.S.A.)
M/D.	Months after date.
Me.	Maine (U.S.A.); Maître (French barrister).
M. E.	Mining Engineer.
Mem., Memo.	Memorandum.
Mlle.	Mademoiselle (French).
Mme.	Madame (French).
Messrs.	Gentlemen; Sirs (French, *messieurs*).

mk(s).	mark(s) (German coin).
Miss., Mi.	Mississippi (U.S.A.).
Mich.	Michigan (U.S.A.)
Min.	Minimum.
MM.	Messieurs (French)
Mo., Mis.	Missouri (U.S.A.).
M. O.	Money Order.
M. O. O.	Money Order Office.
Mon., Mont.	Montana (U.S.A.).
Mon.	Monmouthshire.
mo.	month.
M. R.	Midland Railway.
Mr., Mrs.	Mister; Mistress.
M. S. L. R.	Manchester, Sheffield and Lincoln Railway.
M/S.	Months after sight.
MS(S).	Manuscript(s).
	N
N.	Northern Postal District of London.
N. A.	North America.
n/a.	No account (Banking).
Na., Neb.	Nebraska (U.S.A.).
N. B.	New Brunswick; North Britain (*i.e.* Scotland); Take Notice (Latin, *nota bene*).
N. B. R.	North British Railway.
N. C.	North Carolina (U.S.A.).
N. Dak.	North Dakota (U.S A.).
N. E.	North Eastern Postal District of London.
N. E. R.	North Eastern Railway.
Nev.	Nevada (U.S.A.).
N. F.	Newfoundland.
N. H.	New Hampshire (U.S.A.).
N. J.	New Jersey (U.S.A.).
N. L. R.	North London Railway.
N. M., New M.	New Mexico (U.S.A.).
No.	Number.
Nom. Cap.	Nominal Capital.
Northants.	Northamptonshire.
Notts.	Nottinghamshire.
N. R.	No Risk (Insce.).
N. S.	Nova Scotia.
n/s.	Not Sufficient (Banking).
N. S. W.	New South Wales.
N. W.	North Western Postal District of London.
N. W. T.	North West Territories (Canada).
N. Y.	New York.
N. Z.	New Zealand.
	O
O.	Ohio (U.S.A.); order.
%	per cent.
0	per thousand; or
$\overline{00}$	per mille.
o/d.	on demand.
O. H. M. S.	On His Majesty's Service.
O. K.	All Correct (illiterate spelling, *orl k'rect*).
Okla.	Oklahoma (U.S.A.).
O. M.	Old Measure Gallon (15 O. M. = 12 Imperial gallons).
On., Or., Ore.	Oregon (U.S.A.).
Ont.	Ontario.
On a/c.	On Account.
o/p.	out of print.
O. P.	Open Policy (Insce.).

O. R.	Owner's Risk.
Ord.	Ordinary.
O/S.	On Sale; out of stock.
O. S.	Old Style (*see* p. 118).
Oxon.	Oxfordshire.
oz.	ounce (weight).
	P
p.	page.
pp.	pages.
Pa., Penn.	Pennsylvania (U.S.A.).
Par(s),	Paragraph(s).
Passenger, Pass. Train.	Passenger Train.
P. A.	Particular Average (Insce.).
p. c.	post card; per cent.
Pd.	Paid.
P. E.	Plain edged (Timber).
per ann., p. a.	by the year (Latin, *per annum*).
per pro., p. pro., pp.	On behalf of (Latin, *per procurationem*).
P. E. I.	Prince Edward's Island (N. America).
Per Ptg. Std.	Per St. Petersburg Standard (Timber).
pf.	pfennig (German coin).
pk.	peck (measure).
pkg., pkge.	package.
P. L.	Partial Loss (Insce.).
P. & L.	Profit and Loss.
p.m.	afternoon or evening (Latin, *post meridiem*).
P. M.	Post Master.
P. M. G.	Post Master General.
P. N.	Promissory Note.
P. O.	Postal Order.
P. O. O.	Post Office Order.
P. O. D.	Pay on delivery.
P. & O.	Peninsular and Oriental Steam Navigation Company.
P. P. I.	Policy proof of Interest(Insce.).
P. P.	Parcel Post.
pr.	pair; price.
pro tem.	for the time being (Latin, *pro tempore*).
prox.	nextmonth(Latin, *proximo*).
PS.	Postscript.
psta., pta.	peseta (Spanish and Peruvian coin).
P. T. O.	Please turn over.
pun.	puncheon (measure).
	Q
qr.	quarter; quire.
qt.	quart.
q. v.	which see (Latin, *quod vide*).
qy.	query.
	R
r.	rouble, Russian coin; rupee, Indian coin.
r/d.	refer to drawer (banking).
R. D. C.	Running down Clause (Insce.).
re	with reference to.
Recd.	Received.
Recpt.	Receipt.
Ref.	Reference.
Regd.	Registered.
Retd.	Returned.
R. I.	Rhode Island (U.S.A.); Re-insurance (Insce.).
rm.	ream.
R. M.	Royal Mail.
R. M. S.	Royal Mail Steamer.
R. N.	Royal Navy.
R. P.	Reply Paid.

R. S. V. P.	Please reply (French, *Répondez, s'il vous plaît*).
Rly., Ry.	Railway.
	S
s.	shilling; sailing vessel; sou (French coin).
S.	Southern Postal District of London.
$.	Dollars (American coin).
S. A.	Subject to approval (Insce.); South Africa.
Salop.	Shropshire.
S. C.	South Carolina (U.S.A.).
s. caps., sm. caps.	Small capitals (printing).
Sch.	Schooner.
S. Dak.	South Dakota (U.S.A.).
Sec., Secy.	Secretary.
S. E. C. R.	South Eastern and Chatham Railway.
S. E.	South Eastern Postal District of London.
Sen., Senr.	Senior.
S. I.	Short Interest (Insce.).
S. L.	Salvage Loss (Insce.).
Sld.	Sailed.
S. O.	Seller's option.
S. O. D.	Seller's option to double.
sq.	square.
ss., s.s.	steamship.
S. S. C.	Solicitor to the Supreme Court (Scotch).
St.	Saint; Straits; Street.
Staffs.	Staffordshire.
Ster., Stg.	Sterling.
Stk.	Stock.
sup., super.	superficial.
	T
t.	ton (weight).
T/C.	Till Countermanded (Advertising).
Ten., Tenn.	Tennessee (U.S.A.).
Tex., Ts.	Texas (U.S.A.).
thl.	thaler (German coin).
T. & G.	Tongued and Grooved (Timber).
T. G. & B.	Tongued, Grooved and Beaded (Timber).
T. G. & Vjtd.	Tongued, Grooved and V-jointed (Timber).
T. L.	Total Loss(Insce.).
T. L. O.	Total Loss only (Insce.).
T. M. O.	Telegraph Money Order.
T. O.	Telegraph Office.
tr.	tare.
Tr.	Trustee.
T. T.	Telegraph Transfer.
	U
U. K.	United Kingdom.
U. K. & C.	United Kingdom and Continent (Insce.).
ult., ulto.	last month (Latin, *ultimo*).
U. S., U. S. A.	United States of America.
Ut.	Utah (U.S.A.).
	V
Va.	Virginia (U.S.A.).
viz.	namely.
vol.	volume.
V. P.	Vice President.
Vt.	Vermont(U.S.A.).

v. v.	vice versa (*e. g.* London to Bremen, v. v.) (Insce.).
	W
W.	Western Postal District of London.
W. C.	West Central Postal District of London.
Wd.	Warranted (*e. g.* Wd. F. C. & S.) (Insce.).
Whf.	Wharf.
W. I.	West Indies.
Wilts.	Wiltshire.
Wis.	Wisconsin (U.S.A.).
wk.	week.
W. O.	War Office.
W. O. B.	Washing overboard (Insce.).
W. P.	Without prejudice (Insce.).
W. S.	Writer to the Signet (Scotch).
W. T.	Washington Territory (U.S.A.).
wt., wgt.	weight.
W. Va.	West Virginia (U.S.A.).
	X
xx	Retree (paper trade), *see* p. 92.
	Y
Y. A. R.	York Antwerp Rules (Insce.).
yd.	yard.
Yorks.	Yorkshire.
yr.	year.
#	number.
$	dollar or dollars.
′	foot (measure).
″	inches (measure).
∴	therefore.

THE MONTHS OF THE YEAR.

The correct way to abbreviate the months of the year is as follows—
Jan., Feb., Mar., Apr., Aug., Sept, Oct., Nov., Dec.
May, June and July should not be abbreviated.

ABBREVIATIONS TO BE AVOIDED.

Besides the foregoing comprehensive list, one continually meets with other abbreviations, e. g. *ed.* for could, *shd.* for should, *yrs. fthly.* for yours faithfully, *yrs. try.* for yours truly, *Gents.* for Gentlemen, *Dr. Sir* for Dear Sir and the like, but these should be avoided by the student, especially the vulgar *Gents.*, which no self-respecting clerk should on any account use.

SOME FOREIGN WORDS AND PHRASES USED IN COMMERCE.

French.

à compte—on account (*i. e.* in part payment).
argent comptant—ready money.
chemin de fer—railway.
compte rendu—account rendered.
édition de luxe—an expensive edition.
grande vitesse—fast goods train.
lettre de change—bill of exchange.
lettre de créance—Letter of Credit.
petite vitesse—ordinary goods train.
poste restante—to be left at the Post Office till called for.
Rentes—French Government Stock.
résumé—a summary.
sans frais—without expense.

Latin.

ad infinitum—to infinity.
ad valorem—according to the value.
Anglice—in English.
de jure—by right.
de facto—actually.
dies non—a day on which the judges do not sit.
ex parte—from one point of view.
ex toto[1]—absolutely.
in extenso—at full length.
in re—in the matter of.
in situ—in its original position.
inter alia—among other things.
in toto[1]—on the whole.
locus standi—no standing-place (*i. e.* no right to interfere).
pari passu—at an equal rate; on the same footing.
per—by; by means of.
per annum—by the year.
per capita—by the head.
per centum—by the hundred.
per diem—by the day.
prima facie—on first consideration.
pro forma—as a matter of form.
pro rata—at the same rate.
re—in the matter of.
sine die—without (naming) a day.
stet—let it remain (printing).
sub judice—under consideration.
ultra vires—beyond legal powers.
vice versa—the reverse.

[1] In almost every instance these two expressions, *ex toto* and *in toto*, are used in a wrong sense. If one person differs *absolutely* from another upon a particular subject, he differs *ex toto;* if, however, he only *partially* differs with that person upon that particular subject, he differs *in toto*.

APPENDIX

POST OFFICE INFORMATION

[Taken from the Post Office Guide, published quarterly at *6d.*, and obtainable from any Post Office.]

INLAND CORRESPONDENCE

Inland Correspondence is correspondence posted within and addressed to any place in the United Kingdom (including the Isle of Man and the Channel Islands.) It is divided into five classes : (*a*) Letters ; (*b*) Postcards ; (*c*) Halfpenny packets ; (*d*) Newspapers ; (*e*) Parcels.

(*a*) Letter Post

The prepaid rate is : not exceeding 4 oz. in weight, 1*d.* ; for every additional 2 oz., ½*d.* All letters should be stamped to the full amount. An unstamped letter is chargeable on delivery with *double postage ;* an insufficiently stamped letter with *double the deficiency.*

Limits of Size : 2 ft. in length, 1 ft. in width or 1 ft. in depth.

Prohibited Articles : Anything inflammable, corrosive, or explosive ; or likely to cause injury to Post Office officials or to the other contents of the mail. Letters containing Coin or Jewellery should also not be sent by Letter Post, unless *registered,* because (1) No compensation for loss during transmission is recoverable ; (2) If discovered, they are subject to compulsory registration, and a fee of 4*d.* is demanded from the addressee.

Registration of Letters. All letters may be registered. The charge is 2*d.*, *plus* the postage. The words, " Registered 2*d.*," must be marked at the bottom left-hand corner of the envelope or label. If the article is of a fragile nature, " *Fragile with care* " should also be conspicuously written or printed. No compensation for damage to fragile articles will be paid if these latter words are omitted. Letters intended for Registration must *not be posted in a Letter Box,* but handed over a P.O. counter. A P.O. receipt of registration will be given. Registered letters containing money (including Cheques, P. Orders, Notes, Stamps) *must* be enclosed in the official Registered envelopes purchasable at any P.O.

Method of Fastening. All Registered letters (except those in the official Registered envelopes) must be fastened, not merely with string, but also with sealing-wax or lead at all parts (including string-knots) where the contents could be tampered with. This regulation does not, of course, apply to Registered Post Cards, or ½*d.* Packets or Newspapers, which even when registered must be open for inspection.

Compensation in case of loss is paid on an ordinary Registered letter up to a limit of £5, but by paying graduated fees, over and above the

postage, compensation may be assured up to a limit of £400 (except in the case of Coin, *i.e.*, metal money, where the limit is £5). Thus a fee of 3*d.* insures for £20, and 1*s.* 10*d.* for the limit of £400. The packet must be clearly marked with the word "*Registered*," followed by the amount of the Registration fee, at the bottom left-hand corner.

Advice of delivery of Registered Correspondence. The sender may have an advice of delivery, by paying an additional fee of 2*d.* when posting the registered letter or subsequently. This extra fee is payable by means of stamps affixed to an Advice Form provided at the P.O.

Express Delivery Services. Speedier delivery than by the ordinary post, may be secured in the following ways :

(1) By special messenger all the way.

(2) By special messenger after transmission by post.

(3) By special delivery in advance of the ordinary delivery at the request of the addressee.

(1) SPECIAL MESSENGER ALL THE WAY.—On week-days only at all the more important P.O.s in London, and in the provinces at all P.O.s from which there is a delivery of telegrams. *Charges* (including charges by any public conveyance, *e.g.* bus, train, &c.) : For every mile or part of a mile from the office of delivery to the address, 3*d.* On each package weighing more than 1 lb., a weight fee of 3*d.* If any special conveyance, such as a motor-cab, &c., is used, the cost of such conveyance must be paid plus the mileage fee, but *no weight fee is charged.*

When several packets are tendered by one sender for delivery to different addresses, or to different persons at the same address, the express fee of 3*d.* will be charged for the full distance traversed by the messenger up to the delivery of the last packet, and an additional fixed charge of 1*d.* for each packet above one. Ten packets is the limit. The weight fee is only charged on packages above 1 lb. in weight.

Method of Posting.—Each packet must be handed over the counter with the word "*Express*" boldly and legibly written above the address in the top left-hand corner of the cover. Money and jewellery can be sent in this way at the *sender's risk* without registration.

Reply and Further Service.—When a reply or further service is required by the sender, the words "Wait reply," or "Wait further service," should be written above the address of the packet. The charges are the same, unless the reply is taken to an address on the messenger's homeward route, or within ½ mile of the P.O. from which the messenger started, in which case only ½ the mileage rate of 3*d.* is charged.

(2) EXPRESS DELIVERY AFTER TRANSMISSION BY POST.—If express delivery from the nearest P.O. is desired, the words "Express delivery" must be boldly and legibly written as before indicated, and if from the G.P.O., or any head or district office, the words "Express Delivery, G.P.O.," &c. Such letters must also be marked both back and front with a broad perpendicular mark from top to bottom. *Method of Posting* : Either in a letter-box or over P.O. counter. *Charges :* 3*d.* per mile from the P.O. from which express delivery is desired, plus the ordinary postage, but no weight fee is charged. Generally speaking, the charge for express delivery in London is never more than 3*d.*, plus the ordinary postage, save when it is expressly delivered from the G.P.O. or head district office to an address outside the ordinary delivery of those offices.

(3) SPECIAL DELIVERY OF CORRESPONDENCE IN ADVANCE OF THE ORDINARY DELIVERY. *Charges.* Full express fee of 3*d.* a mile for each packet, plus 1*d.* for every ten or less number beyond the first packet

payable on delivery. Application for this special delivery must be made on the proper form obtainable at most Post Offices.

Railway Letters. Most of the Rly. Cos. of the United Kingdom, by arrangement with the P.M.G., convey, by the next train or steamship, single Inland Post letters not exceeding 4 oz. in weight, either to be called for at the station of address, or to be despatched by post to the residence of the addressee. Examples of the modes of address are here appended :

J. Smith, Esq.,
Parcel Office,
New St. Station,
Birmingham,
(To be called for)

J. Smith, Esq.,
"Woodside,"
Wimbledon Common,
To Wimbledon Station.
(To be posted on arrival)

Charges. 2*d.*, plus postage 1*d.*, to be prepaid—the postage in affixed stamp, and the railway fee in cash. *Manner of Posting.* Must be handed in at the Passenger or Parcel Booking Office of the Rly. Co. over whose line it is to be sent.

Foreign Railway Letters. This scheme has now been extended to include letters addressed to places abroad. (*See* P.O. Guide.)

Late Fee Letters. At certain hours correspondence received is despatched to all parts of the country and abroad. Any letter posted within ½-hour of these times would generally be too late for that particular mail, unless a late fee of ½*d.* is attached to the letter, when it will be generally received up to within 5 mins. of the despatch of the mail. *Manner of Posting.* The late fee stamp should be affixed to the top *left-hand* corner of the letter, and the words "Late Fee" written over it. Such letters must be posted in the *special* boxes provided at the principal P.O.s, or in the letter-boxes provided on all mail trains to which travelling P.O.s or sorting-carriages are attached. In the former case, the correspondence will not be specially forwarded if the postage is not completely prepaid. In the latter case the letter is surcharged 1*d.*, if the late fee is not prepaid.

Private Boxes and Bags. Some large firms rent at the P.O. a private letter box in which all their correspondence (other than parcels) is put, and delivered to them, upon application, at the commencement of the various times of town delivery. An annual charge of £3 3*s.* is made for the use of this box at the Head District offices of London, and some of the larger provincial towns, such as Glasgow, Liverpool, &c. ; and £2 2*s.* at London suburban and most provincial town offices ; and £1 1*s.* at all Sub-offices. *A Private Bag*, in which all correspondence is delivered, can also be rented at an additional annual charge of £1 1*s.*

Re-direction of Letters. Letters may be re-directed free to the same addressee at another address, provided that the re-direction is made not later than the day after delivery (Sundays and public holidays not being counted) ; and that the letter has not been opened or tampered with.

Poste Restante. Correspondence may be addressed to any P.O. (except town sub-offices), *to be called for*, but such correspondence must be marked "To be called for," or "Poste Restante." Poste Restante is intended for the accommodation of strangers and travellers, and no one may use the same Poste Restante for more than three months. Correspondence addressed to initials, fictitious names, or Christian name without

surname, is not taken in at the Poste Restante, but sent to the Returned Letter Office for disposal. Correspondence must not be re-directed from a private address to a Poste Restante in the same town.

Return of Undelivered Letters. Undelivered letters bearing the full name and address of the sender on the outside are returned to the sender unopened and free of charge.

Prepayment of Correspondence. In order to avoid the labour of stamping large batches of correspondence of a *uniform* postage, the P.O. authorities allow the postage to be prepaid in money provided: (1) That the amount is not less than £1. (2) That the correspondence is tied into bundles representing a postage of 5*s.* each, or in the case of exceptionally bulky packets into bundles of 2*s.* 6*d.* each. (3) That the addresses are all arranged in the same direction.

(*b*) Post Cards

Either the Post Cards issued by the P.O. and sold in packets of 11 *for* 6*d.* for stout cards and 11 *for* 5½*d.* for thin cards, may be used, or private cards made of ordinary cardboard, not thicker than the thick official cards—the limit of size, too, being the same, viz., not greater than 5½ in. by 3½ in., and not less than 4½ in. by 2¾ in. Most business houses use private cards with their name and address, telephone number, &c., printed on the top of the correspondence side of the post card. *A post card of the regulation size can be sent anywhere in the United Kingdom for ½d.*

Return of Undelivered Post Cards. *See* p. 555.

(*c*) Halfpenny Packet Post

The limit of weight for this Post is 2 oz., and it can be used for all printed or written matter not in the nature of a letter. It is usual to send by this Post all business documents of no value except as between the sender and addressee, *e.g.* orders for goods, invoices, receipts for goods or money, confirmation of orders, advice notes, way-bills, statements of account, price-lists, market reports, quotations for goods, inquiries for quotations, circulars, invitation cards, &c. Many other commercial documents, *e.g.* bills of lading, tenders for goods, estimates for work, confirmations of contracts, share transfer notices, &c., are also allowed to be sent by this Post, but in practice such documents are most often forwarded by the ordinary Letter Post.

Regulations. The writing on the documents sent by this Post must refer solely to the subject-matter, or consist of formulas of courtesy or of a conventional character, not exceeding five words or initials, *e.g.* "E. and O. E."; "With compliments and thanks"; "To follow when ready"; "Triplicate"; "Corrected Invoice"; "Order No. 1572," &c. Such phrases as: "Please send cheque by return"; "Your immediate attention will oblige"; "Forward without delay," are not allowed. The printed form used for the communication must also be one "clearly indicating the purpose for which the form is intended to be used," *e.g.* an ordinary memo. form must not be used for an order. *Typewritten documents* or reproductions of such documents by any "mechanical process ordinarily used to produce a number of copies," are not accepted by this Post, unless handed over the P.O. counter in bundles of not less than twenty at a time.

"Every halfpenny packet must be posted either without a cover, or

in an unfastened envelope, or in a cover which can easily be removed for examination."

Return of Undelivered Halfpenny Packets. *See* below.

(*d*) Newspaper Post

Only registered newspapers printed and published in the United Kingdom, and issued not less than once a week, can be sent by this Post, at a cost of ½*d. for each newspaper.** Any number can be sent in one packet, provided that the total weight of the package does not exceed 5 lb. Newspapers must be posted either without a cover, or in a cover open at both ends to admit of examination. The newspaper should also be folded so that the title is plainly discernible. Nothing must be written on the newspaper except the name and address of the addressee, the words, "With Compliments," and a short reference (*e.g.*, "*See* p. 42") to any part of the newspaper to which the addressee's attention is desired, and a request of return in case of non-delivery.

Note. Monthly, quarterly, and annual magazines are not admissible, and, of course, no letter may be enclosed in any newspaper sent by this post. *Limits of Size.* Same as for Letter Post.

Return of Undelivered Post Cards, ½d. Packets, and Newspapers. Such undelivered correspondence is only returned to the sender when it bears his full name and address on the outside, together with a request for return in case of non-delivery. A second postage is charged for this service.

* Two or more can be sent for ½*d.* provided total weight does not exceed 2 ozs.

(*e*) Parcels Post

The rates for postage—which must be prepaid—on parcels are as follows

For a parcel not exceeding	1 lb.	in	weight,	3*d.*
,, ,,	2 lb.	,,	,,	4*d.*
,, ,,	3 lb.	,,	,,	5*d.*
,, ,,	5 lb.	,,	,,	6*d.*
,, ,,	7 lb.	,,	,,	7*d.*
,, ,,	8 lb.	,,	,,	8*d.*
,, ,,	9 lb.	,,	,,	9*d.*
,, ,,	10 lb.	,,	,,	10*d.*
,, ,,	11 lb.	,,	,,	11*d.*

Limit of weight. 11 lb.

Note. Parcels from 7 lb. to 11 lb. may be sent for 1*d.* per lb.

Limits of size. Length must not exceed 3½ ft., nor the length and girth (*i.e.*, the measurement round its thickest part) exceed 6 ft.; *e.g.*, if a parcel measures only 3 ft. in length it may be as much as 3 ft. in girth.

Method of posting. The parcel must not be posted in a letter box but handed over a P.O. counter. It should be marked "Per Parcel Post" in the top left-hand corner of the printed label (*see* p. 42) which most firms stick on the outside wrapper. A receipt should be obtained from the P.O. authorities, either on a form provided at the P.O., or in an ordinary Parcels Book. There is no Sunday delivery of parcels.

Compensation in Case of Loss. The P.M.G. is not legally liable, but compensation up to £2 for a parcel, the loss of which is proved to be due to the P.O. authorities, is given, provided that a receipt is taken at the time of posting, and is produced as evidence of despatch.

No compensation, however, is claimable in respect of the loss of money

(including bank-notes, postage stamps, &c.) sent by Parcel Post, registered or unregistered, or in respect of the loss of *unregistered jewellery*, or in respect of *damage* to fragile goods, such as eggs, fruit, fish, &c.

Parcels for the Channel Islands and the Isle of Man are accepted at the same rate of postage as for any other part of the United Kingdom, but senders of parcels to the Channel Islands are required, for Customs purposes, to make a declaration of contents on a form provided for that purpose. Parcels for the Isle of Man, though liable to Customs examination do not, however, require a declaration of contents.

Special Regulations. Eggs, fish, meat, fruit, and vegetables, can only be sent by Parcels Post. Parcels containing glass or eggs should be packed very carefully and marked "*Glass with care*"; "*Eggs with care.*" Careless packing resulting in damage to other goods makes senders liable for penalties.

Registration of Parcels. The same regulations apply as in the case of Registered Letters. *See* p. 551.

Re-direction of Parcels. Parcels when re-directed are liable for additional postage at the prepaid rate for each re-direction, unless the original and the second address are both within the delivery of the same P.O., and that the re-direction is made not later than the day after delivery Sundays and public holidays not being counted).

FOREIGN AND COLONIAL CORRESPONDENCE

Letter Post

Rates. 1*d.* per oz. to all British Possessions, to Egypt, to the United States, to certain places in Morocco (*see* P.O. Guide), and the following places in China: Amoy, Canton, Chefoo, Foochow, Hankow, Hoihow, Liu-kung-tau (Wei-hei-wei), Ningpo, Shanghai, Swatow and Tientsin; 2½*d. for the first oz.*, and 1½*d. each additional oz.* for all other places abroad.

Dutiable Articles sent by Letter Post are liable to fine or confiscation as well as the Customs duty.

Reply Coupons. In the case of certain countries indicated in the Postal Guide, a prepaid reply can be provided for by purchasing a 3*d.* coupon at a P.O., which the addressee can exchange for a 2½*d.* stamp in the postage of the country to which the letter is sent.

Special Postal Conditions apply to some countries. (*See* P.O. Guide.)

Re-direction of Letters to the same addressee can be effected free of charge, except when the re-direction is made to some country in which the rate of postage is higher than that originally prepaid—the limit of time being the same as for Inland Correspondence (*see* p. 553). Correspondence insufficiently addressed and returned to the sender for fuller particulars is liable for fresh postage.

Express Delivery of Letters. All correspondence can be delivered, by special messenger on arrival at its destination, in some few Foreign Countries and British Possessions (*see* P.O. Guide). It must be marked "Express," and prepaid 3*d.* in addition to the postage. This charge covers express delivery, if the place of delivery is in the immediate neighbourhood of a P.O.; if not, additional charges are made and collected from the addressee.

Undelivered correspondence returned to this country is delivered to the sender where possible, free of charge, except in the case of printed

papers, ½*d.* packets, and Canadian magazine post packets, which, when returned are charged on delivery with the original postage payable.

Registration. The fee is 2*d.*, *except for parcels*, which cannot be registered. In the case of letters containing coin, jewellery, and other precious articles, registration is only possible for those British Colonies not in the Postal Union. Correspondence addressed to certain countries (*see* P.O. Guide) can only be registered to the port of arrival. *Compensation for loss.* Except for loss through tempest, shipwreck, earthquake, or war, the P.O. authorities of all countries *in the Postal Union* undertake to pay an indemnity not exceeding 50 fcs., when it is proved that a registered packet was lost while in their charge. *Regulations.* No letter addressed in pencil or to initials can be registered. Every registered letter must be enclosed in a strong envelope, securely fastened, and the declared value of the contents must *not* be marked on the outside, unless it is also insured. The remaining regulations are as for Inland Registered Correspondence. *Advice of Delivery* can be obtained for an additional fee of 2½*d.* affixed in stamps to a form provided for that purpose.

For Insurance of Letters, see p. 560.

Post Cards, Printed and Commercial Papers

Post Cards. The postage is 1*d.* to any place outside the United Kingdom, and the same regulations as to size, thickness, &c., apply as in the case of Inland Post Cards. An Inland Post Card may be used as a foreign card by affixing an extra ½*d.* stamp.

Printed Papers (*i.e.* impressions or copies obtained upon paper, parchment or cardboard by means of any mechanical process) may be sent at the rate of ½*d. per 2 oz.* Under this heading are included books (bound and unbound), newspapers, pamphlets, circulars, catalogues, prospectuses, &c. The same regulations apply to typewritten or written copies produced by the copying press as in the case of the Inland ½*d.* Packet Post. Books, papers, music, &c., may contain the invoices relating to them.

Commercial Papers (*i.e.*, all papers, documents written wholly or in part by hand, when not in the nature of a letter). The rate is 2½*d.* for the first 10 oz. *or under*, and ½*d.* for each extra 2 oz.

Limits of Size and Weight for Printed and Commercial Papers. Limit of size for packets sent to British Possessions, or to Non-Union Countries or Colonies is 2 ft. in length and 1 ft. in width or depth; to Foreign Countries in the Postal Union the length is limited to 1½ ft. Packets in the form of a roll may not, in any case, exceed 2½ ft. in length, and 4 in. in diameter. *The limit of weight* varies from 4 lb. to 5 lb. (*See* P.O. Guide.)

Manner of Posting. Same as for the ½*d.* Packet Post.

Undelivered packets will only be returned if the name and address of the sender are on the outside.

Duty on Advertising Matter. Most Colonies levy a duty on advertising matter (*i.e.*, catalogues, price lists, &c.) varying from 2*d.* to 6*d.* per lb. or 25 to 35 per cent. *ad valorem*, whichever be the greater. This duty may either be paid by remittance direct to the Postmaster General at the different capitals, or by affixing Fiscal Stamps to be obtained at the offices of the respective Agents General in London.

Canadian Magazine Post. All newspapers registered in the United Kingdom can be sent to Canada under the same conditions as for Inland transmission, at the rate of 1*d.* per lb. or fraction of a lb., except that

packets not exceeding 2 oz. in weight can be sent for ½*d*. Other magazines, newspapers and trade journals, are also eligible, provided (1) They are printed and published and sold in the United Kingdom at intervals of not more than thirty-one days; (2) they are paper-bound; (3) not more than five-sixths consists of advertisements; (4) a copy of the periodical be sent with a fee of 5*s*. per annum to the Secretary of the P.O. *Limit of Weight:* 5 lb. *Limits of Size:* 2 ft. in length by 1 ft. in width or depth. These regulations also now apply to packets sent to *Newfoundland* by direct Packet, or *via* Canada by direct Canadian Packet. They do not, in either case, apply to packets sent *via* New York.

Sample Post

The use of this post is restricted to (1) Samples of *bona-fide* merchandise of no commercial value; (2) Natural history specimens, dried plants &c., sent for as commercial purpose. *Charges.* 1*d*. for 4 oz.; ½*d*. each additional 2 oz. *Limits of Size.* To British Possessions and Non-Union Countries, 2 ft. long, 1 ft. wide or deep. To Foreign Countries generally, 12 in. long by 8 in. wide by 4 in. deep, unless in the form of a roll, when the limits are 12 in. in length by 6 in. in diameter.

Limits of Weight. For British Possessions generally, 5 lb., except when sent by French or German packet, when the limit is ¾-lb. For Foreign Countries generally (including Egypt and Rhodesia), ¾-lb.

Manner of Packing and Address. Must be packed so as to be easy of examination, and, when practicable, in covers open at one end.

For Non-Union Countries. Samples must not contain anything except names and addresses of the sender and addressee, a trade mark or number, price, weight, size, and quantity of the article.

For Union Countries. Samples may contain, besides the above, any printed papers, and also commercial papers, if the rate applicable be paid.

Parcels Post

The rules for posting and addressing are similar to those for Inland Parcels. But for every foreign and colonial parcel a Customs Declaration (on a form obtainable at any P.O.) must be filled up declaring the value and contents.

Two forms are in use: (1) *An Adhesive Form* (*A*) for parcels to all British Possessions and a few Foreign Countries. (2) *A Non-Adhesive Form* (*C*) for all other Foreign Countries. When this form is used the sender must also fill up a Dispatch Note obtainable at most P.O.'s. Sometimes more than one *C* form is necessary. *Rates* vary for different countries. A full list is given in the P.O. Guide. The following are the rates, limits of size and the form of declaration required for the principal countries. The figure after *C* in the second column denotes the number of non-adhesive forms required. *See* p. 559.

General Regulations. No letter may be enclosed in any parcel sent to a Foreign Country, and to many British Possessions, but parcels for Aden, British East Africa, British Guiana, Ceylon, Gibraltar, India, and Malta, may contain one letter only for the addressee. Any parcel may contain an invoice in an open envelope. *Coin* (unless clearly intended for ornament) or bullion exceeding £5 in value, cannot be sent by Parcel Post from this country to Foreign Countries. *Coin, watches, jewellery,* or any article of gold or silver, must be insured for at least part of their

Place of Destination.	Form of Declaration.	Limits of Size.		Rates.		
		Length and breadth combined.	Length and girth combined.	3 lbs.	7 lbs.	11 lbs.
				s. d.	s. d.	s. d.
Belgium, Holland	C 2	3½	6	1 0	1 6	2 0
Denmark, Germany, Norway	C 1	3½	6	1 0	1 6	2 0
Egypt	C 2	3½	6	1 0	1 9	2 6
Barbados, Bermuda, British Agencies in Turkey, Br. E. African, Br. Guinea, Br. Honduras, Br. N. Borneo, Burmah, Ceylon, Cyprus, Falkland Is., Gambia, Gibraltar, Grenada, Hong Kong, India, Jamaica, Leeward Is., Malay States, Malta, Mauritius, Morocco, Newfoundland, St. Lucia, St. Vincent, Sarawak, Sierra Leone, Str. Settlements, Trinidad, Zanzibar	A	3½	6	1 0	2 0	3 0
Canada	A	2½	6	1 0	2 0	3 0
New Zealand (for parcels not exceeding 4 ft. length and girth combined)	A	—	4	1 0	2 0	3 0
New Zealand (for parcels not exceeding 6 ft. length and girth combined)	A	—	6	2 0	3 0	4 0
France	C 1	2	—	1 4	1 9	2 2
Italy	C 1	2	—	1 6	2 0	2 6
Austria-Hungary, Portugal, Sweden, Switzerland	C 1	3½	6	1 6	2 0	2 6
Spain	C 3	3½	6	1 6	2 0	2 6
Russia in Europe	C 2	3½	6	2 0	2 6	3 0
Argentine Republic	C 1	2	—	2 0	3 0	4 0
Colombia, Danish W.I., Guatemala, Honduras, Japan, Persia, Peru	C 1	3½	6	2 0	3 0	4 0
Chile, Costa Rica, Uruguay	C 2	3½	6	2 0	3 0	4 0
Greece	C 2	2	4	2 3	2 9	3 3
United States (Official Service) 3s. 6d. for 9 lbs.	A	3½	6	1 6	2 6	4 6
*United States (Semi-Official Service)	C 1	3½	6	3 6	4 6	5 6
				For each lb. or fraction up to 11 lbs.		
Australia	A	3½	6	1s. (1st lb.) 6d. after.		
Cape Colony, Natal	A	3½	6	9d.		
Orange River Colony, Transvaal	A	3½	6	1s.		
Rhodesia (see P.O. Guide for alternative routes)	A	3½	6	1s. 9d.		
Parcels to some of the foregoing countries by alternative routes are charged at higher rates (see P.O. Guide)						

* For all places in the U.S. except New York City, Brooklyn, Jersey City, Hoboken—the rates being for these places, 2s. 6d. for 3 lbs.; 3s. 6d. for 7 lbs.; 4s. 6d for 11 lbs.

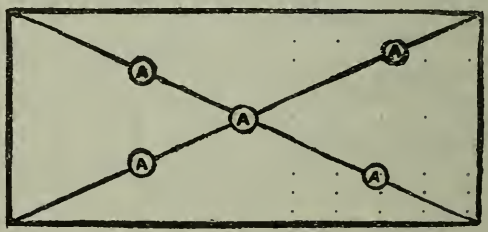
value, if they are sent to any Foreign Country or British Possession included in the Insurance System, and must also be packed in accordance with the regulations for insured parcels given below.

Re-direction of Parcels addressed to the United Kingdom involves additional postage for each re-direction, unless the original and second address are both within the delivery of the same P.O. and the re-direction is made not later than the next business day after delivery.

Undelivered Parcels. The sender is advised and his instructions conveyed to the P.O. at which the parcel is lying. Returned parcels are subject to the ordinary rates of postage, and in the United States and some continental countries also incur charges for warehousing.

Insurance. Though parcels cannot be registered, they can, in many cases, be insured, which amounts practically to the same thing. Letters also containing bank-notes, coupons, securities, &c., can be insured, but post cards, printed and commercial papers and samples cannot be insured.

Manner of Posting. Insured letters must be handed in at a P.O. counter, and must be enclosed in a strong envelope, securely fastened and sealed with wax in the manner shown below, and impressed with a private device that cannot easily be imitated.



Mourning envelopes, or those with coloured borders, must not be used, and if the packet is tied with string the knots must be sealed. Parcels for insurance must be very strongly packed, and properly sealed with wax or lead ; all string knots must be sealed, and the same coloured wax and the same private device used throughout.

Regulations. The amount for which a letter or parcel is insured must be stated both in words and figures on the address cover or label, *e.g.* "Insured for Fifty Pounds (£50)," and care must be taken not to alter or erase this inscription. In the case of a parcel the amount insured must also be stated on the Despatch Note (necessary where form *C* is used).

Limit of Insurance varies with different countries (*see* P.O. Guide) For some, *e.g.*, Orange River Colony, Natal, Greece, &c., no insurance is possible ; for Ecuador, Portugal, &c., the limit is £20 ; for Australia, &c., £40 ; for the United States (American Express Service), £120. The utmost limit for any country for one parcel is £400. *Rates* are 4*d.* for the first £12 or less of insured value, and 2*d.* for every additional £12, or part thereof, up to £400. For the United States (American Express Service) the rates are rather higher—6*d.* for each £12 of insured value, and 5*s.* for the maximum £120.

Method of Payment. By stamps (as few in number as possible) affixed to the cover of the letter or parcel, with a *space* between each stamp. A certificate of postage must always be obtained by the sender.

Re-direction of Insured packets (for which a fresh insurance fee is charged) can only be made to those countries which have adopted the Insurance System.

Claims for Compensation in case of loss can be made either by the sender or addressee. The P.M.G. is not, however, legally liable. He only gives compensation as an act of grace.

Compensation for Uninsured parcels may also be paid as an act of grace by the P.M.G., when such parcels are lost in transit between the United Kingdom and most British Possessions, and between the United Kingdom and the chief Foreign Countries. But in no case will the compensation exceed £1, and in the case of France and some other countries the limit is 15 fcs. = 11*s.* 11*d.*

Cash on Delivery Service. The P.O. authorities undertake to collect from the addressee the value of articles sent by post from the United Kingdom to Egypt and certain British Possessions (*see* P.O. Guide). The value of the articles, called the *Trade Charge* (including postage and collection charges), must not exceed £20, and such articles may be sent either as insured or uninsured parcels, insured letters or registered packets *Method of Address.* The sender's name and address, together with the amount of the Trade Charge in figures and words, and the name of the office on which the M.O. or P.O. in payment of the Trade Charge is to be drawn, must appear on the cover of the packet. The sender must fill up a *Request Form* making formal application for the collection of the money value, and declaring that the article is sent in fulfilment of an actual order. 2*d.* in stamps must be affixed to this form. *Method of Posting.* The packet must be handed in at a P.O. counter, and a certificate of posting obtained, which must be given up when the M.O. or P.O. is presented for payment.

The same regulations apply to parcels sent to the United Kingdom *from* those countries participating in the Service, except that when the Trade Charge is over £5, the parcel will be kept at the P.O. to be called for, notice of arrival being sent to the addressee. (For charges *see* P.O. Guide.)

INLAND TELEGRAMS

Charge. 6*d.* for twelve words, including address, and ½*d.* each additional word.

A Prepaid Reply of not more than forty-eight words may be obtained by affixing in stamps the estimated amount of the reply to the telegraph form. This reply may be used for any message within two months, and, if not used, the value will be refunded to the original sender, provided application is made to the Secretary, G.P.O., within two months.

Counting of Words. Each word in a modern European language or in Latin counts as one word, but words of any other language or unintelligible combinations of letters are charged at the rate of five letters a word.

Hyphen words such as *son-in-law, procès-verbal, fifty-three, warehouseman,* count as one word ; so also do all names of towns and villages in the United Kingdom. Names of railway stations not in towns used by the P.O. for telegraphic purposes, *e.g. Ashby-de-la-Zouch, Bodmin Road, Stratton-on-the-Fosse,* are each counted as one word.

Names with a prefix, such as : *De Crespigny, De la Touche, O'Byrne*

Mac Neill, St. Pancras, are charged as one word, but *double names,* like *Massey-Mainwaring, Smith-Dorrien,* are charged as two words.

Names of Town Sub-Offices and Branch Offices, and all other names, including the names of *Streets, Roads,* &c., are reckoned according to the number of words they contain, thus: *Drury Lane, Hanging Ditch, Oxford Street,* are each counted as two words.

Exceptions. The name of a county or town added to the name of another place to distinguish it from other places of the same name is not counted, *e.g. Newport* (*I. of W.*), *Newport* (*Mon.*), *Bradford* (*Manchester*), *Bradford* (*Wilts*), are each counted as one word.

Figures count at the rate of five figures as one word; *Fractions* according to the number of figures in them, the division mark being reckoned as one figure, *e.g.* 2½, 12½, are counted as one word, but 112½, 1112½ would each be two words. A stop or stroke between figures is reckoned as one figure, *e.g.* 10/12, 10.12, is each one word; 10/12/09, 10.127, each counts as two words.

Ordinal Numbers. The suffixes *st, nd, rd, th,* are counted as two figures, thus: 1*st,* 2*nd,* are one word each, 1500*th* counts as two words. When, however, any other letter precedes or follows a figure or group of figures it counts as a word, thus: 193*a* and *B*105 each count as two words.

Exception. In addresses a letter after the number of the house counts as a *figure,* thus: 119*a Fore St.,* would count as three words.

Initial Letters are each counted as one word, thus: *Mr. A. P. Smith* would be four words; *A. C. Payne, Esq., M.D.,* would be six words.

Exceptions. Letters used as abbreviations, such as: *o/o, a/c, d/s, B/L, B/E, c/o,* A.M., P.M., are counted as one word; so are the initials of a postal district (*S.W., N.E.,* &c.).

Underlined Words and Punctuation Marks. Underlined words are charged one extra word, and each punctuation mark counts an extra word.

Special Instructions, such as *Private, Confidential, "To be opened at once," "Urgent,"* and the like, can be written on the outside of the envelope conveying the message to the addressee. Such words are charged as part of the message.

Mode of Writing Telegrams. They should always be written upon the proper Telegram Forms provided free of charge at the P.O.

Books of Telegram Forms with embossed 6*d.* stamps, containing twenty interleaved forms, and with a sheet of carbonic paper can be obtained from the P.O., price 10*s.* 2*d.*

Receipts for prepaid charges on a telegram can be had for one penny.

Certified Copies of telegrams can only be obtained from the Secretary, G.P.O., at a charge of 3*d.* per copy.

Repetition of Telegrams. Both the sender and the receiver may have telegrams, or any part, repeated at a charge of half the ordinary rate, minimum charge, 3*d.* Should the repetition disclose a mistake on the part of the P.O. this charge is refunded. Important telegrams, *e.g.* those relating to prices, or those in cipher or code should be repeated.

Registered Telegraphic Address. Any person may register his address in an abbreviated form, consisting of two words (one being the name of the town or place of delivery) for the sum of £1 1*s.* per annum, payable in advance.

Re-direction of Telegrams. Telegrams can be re-directed to a second address either by: (1) A P.O. official, provided a notice to that effect is given on the required form; (2) by an agent of the addressee.

Charges. If the second address is in the same town a charge of 6*d.* is made; if in a different town the cost would be ½*d.* per word. Telegrams can, however, be re-directed for transmission *by post* free of charge.

Note. Each London Postal District is considered a separate town.

Undelivered Telegrams. The sender may have an undelivered telegram presented a second time to the same address, or to another address in the same town at a cost of 6*d.* extra, or to another town (or another London Postal District) at an additional cost of ½*d.* per word, minimum, 6*d.*

A prepaid telegram may be posted in an envelope marked "*Telegram immediate*," or handed to a rural postman.

Cancelling Telegrams. Telegrams may be cancelled *before transmission*, and the cost refunded, less a fee of 2*d.* for cancellation. If it has been or is being transmitted, the cost will not be refunded.

Late Fees for Telegrams. Telegrams can be accepted after the usual hours on payment of certain fees. (*See* P.O. Guide.)

Multiple Address Telegrams. Copies of a telegram directed to more than one person in the same free delivery are delivered on pre-payment of a charge of 2*d.* per copy plus ½*d.* for each word in the address of each copy.

FOREIGN AND COLONIAL TELEGRAMS

Charges vary from 2*d.* to 7*s.* per word, with a minimum of 10*d.* Payment to be made by means of affixed stamps. *Method of Writing.* Either on the special forms provided at the P.O., or else on the forms of the various Cable Companies. The telegrams may be written in Plain language, in Code language or in Cipher. When written in *Plain* language, *i.e.* in the words of any of the following languages, English, French, German, Italian, Spanish, Portuguese, Dutch, and Latin, Roman characters must be used—the old method of writing German, for example, is not permissible. No word used must contain more than fifteen letters, or it will be charged as two words. *Hyphen names.* Compound family names, names of towns, &c., written without using the hyphen are counted as one word, provided they do not contain more than fifteen letters, thus: *Bouverie-tracy* would be one word, *Bouverie-Tracy*, two words. *Newcastleontyne* would be one word; *Newcastle-on-Tyne*, three words. Words must not be misspelt so as to bring them below the maximum, nor is it allowed (except in examples like the above) to join together two or more words to avoid payment.

Code Language (*see* p. 64). No word used must contain more than ten letters. *Cipher Language* (*see* p. 65). Every separate letter or figure, or every group of five letters or figures is charged as one word.

In Addressing a Foreign Telegram to a person at the house of another person whose name is given, *Chez* instead of *c/o* should be used, *e.g. Brissot chez Didereau Freres*, 11 *rue de Richelieu, Paris.*

Replies can be prepaid to any amount (minimum, 10*d.*), but RP. (charged as one word) must be inserted before the address of destination. *Unused reply forms.* The sender can recover the cost by returning the unused form; he can also recover the balance (if more than 10*d.*) should the reply cost less than the amount prepaid. In both cases application must be made to the Secretary, G.P.O., within three months of the day of issue.

Repeated Telegrams. A sender can have a foreign telegram repeated at a cost of one-quarter the original charge, plus the charge of one word for the letters T.C., which must be inserted before the address of destination. If repetition is only desired between the transmitting office and the

last P.O. in the United Kingdom at which it is dealt with, the charge is ½*d.* per word.

Charges are returned: (1) For a Plain language telegram, if useless through inaccurate transmission; (2) for code and cipher telegrams for the same reason, but only if the telegram has been repeated; (3) for all telegrams unduly delayed in transmission; (4) for telegrams cancelled before transmission, less 2*d.*, cancellation fee.

Telegrams to Catch Outgoing Mails. If an important communication, say for America, posted in the ordinary way, would be just too late to catch the next American mail, a quick way of despatch (if the expense of cabling is not desirable) is to telegraph it to Queenstown, with instructions to forward it thence by post. *Method.* The sender must write "Post" (not charged for) before the addressee's name and address, and the word "Queenstown" at the end of the address, *e.g. Post Smith, 15 Barclay Street, New York, Queenstown.* In such cases the full address must be telegraphed, the use of Registered Cable addresses not being allowed. *Examples.* A telegram of twenty-four words sent in this way to New York would cost 1*s* 1½*d.*, *i.e.*, 1*s* 0½*d.* for the telegram (including ½*d.* for the word "Queenstown"), and 1*d.* for postage to New York. If the destination was Calcutta, the charge would be 3*d.* a word to Brindisi, and the postage 2½*d.* to Calcutta from Brindisi. (*See* P.O. Guide for further information.)

TELEPHONES

London Telephone System. *Ordinary Installations:* (*a*) Subscribers within the County of London, £5 per annum for connection with any Exchange within two miles of the subscriber's premises, plus 1*d.* a call on Exchanges within, and 2*d.* a call on Exchanges without the county; (*b*) subscribers without the County of London, £4 per annum for connection with any Exchange within two miles of the subscriber's premises, plus 1*d.* a call on the same Exchange and 2*d.* a call on every other Exchange. *Minimum Charge* for calls in both cases, £1 10*s.* per annum.

Party Line Installation for two or more subscribers in the same building, not available for subscribers in the Central Exchange, or in connection with hotels, restaurants, commercial exchanges and the like. Each subscriber has a separate instrument, but only one subscriber can use the telephone at a time. *Charges.* For two subscribers in the London area, £3 per annum; for more than two and less than ten subscribers outside the County of London, £2 per annum. The calls are charged for at the same rate as stated above, but the *minimum charge* is £3 for each subscriber.

Unlimited Service. No restriction as to the number of calls. Not available for hotels, &c. (*see* above). One line, £17 per annum. Each additional line connecting any premises of the subscriber with an Exchange, £14 per annum.

Extension Lines. A circuit of not more than 110 yds., connecting the subscriber's offices in the same premises, 30*s.* additional. A circuit of not more than ¼-mile, connecting a subscriber's offices in different premises, £4 per annum.

Trunk Lines. These are lines connecting the Exchanges of different telephone areas, *e.g.* London with Liverpool, Glasgow, &c. *Fees.* For 3 minutes' conversation, 3*d.* for each 25 miles or fraction thereof up to

100 miles, and 6*d*. for every additional 40 miles, or fraction thereof. *For 6 minutes* the fees are double, except between 7 P.M. and 7 A.M. Deposits are required from ordinary subscribers to cover trunk charges, and users of trunk lines at P.O.s are charged 2*d*. in addition to the charges stated.

Foreign Telephone Lines. Telephonic communication exists between London, Birmingham, Leeds, Bristol, Bradford, Cardiff, Derby, Hull, Ipswich, Leicester, Liverpool, Manchester, Norwich, Nottingham, Sheffield, and some other provincial towns and Paris, Brussels, and certain other towns in France and Belgium. Full particulars with subscriber's names can be obtained from the different head P.O.s. *Fees*. 8*s*. for 3 minutes' conversation for all places in France and Belgium on the list, except Bordeaux, Lyons, Marseilles and St. Etienne, for which the charge is 10*s*. Paris time is 9 minutes ahead of Greenwich time, so this must be taken into account when making French telephonic appointments. Greenwich time is the official time in Belgium.

The National Telephone Co. The company hold a licence from the P.M.G. to conduct telephone business and has a very large number of subscribers through the United Kingdom. The licence expires in 1911, and the company's business will probably be taken over by the P.M.G., and amalgamated with the P.O. telephones.

Telephone Telegrams. Sometimes the quickest way of transmitting a message is to telephone it to the nearest P.O. telegraph office, whence it is telegraphed to the addressee, and delivered by express messenger. *Exception*: messages at press rates. *Fees*. If not exceeding thirty words, the message is delivered at the usual fees for express delivery. If exceeding thirty words, the charge is double. Maximum allowed, sixty words. Replies may be returned by the express messenger on payment of the usual fees, plus the ordinary telephone charge. Messages sent in this way should be spoken slowly and clearly into the telephone, special care being taken with figures. The receiver of the message at the telegraph office should repeat the message to ensure accuracy. Telegrams may also be delivered by telephone instead of by messenger. In small towns all telephone subscribers may take delivery in this way, but in large towns only those who have Registered Telegraphic Addresses (R.T.A.).

Private Telephone and Telegraph Installations. The P.M.G. will instal and maintain private telephone and telegraph wires in exchange for an annual rental. These installations enable persons renting them to send or receive telephone messages or telegrams between their head offices and branch establishments without the intervention of the P.O.; or where messages are received or transmitted through the P.O. to dispense with P.O. messengers.

MONEY ORDERS AND POSTAL ORDERS

A Money Order (*see also* p. 122) is an order made by one Post Office upon another *specified* Post Office for the payment on demand to a named person, a certain specified sum of money not exceeding £40. The name of the payee and the remitter are not inserted in the body of the original Order, but are contained in the letter of advice sent together with a carbon duplicate of the Order, to the paying office.

A Postal Order (*see also* p. 121) is an order made by one Post Office upon *any other* Post Office for the payment upon demand to a named person a specified sum of money not exceeding £1 1*s*. (plus 5*d*. in affixed stamps).

The differences between Money Orders and Postal Orders are: (1) An application form is necessary for a M.O., but not for a P.O.; (2) the limit for a M.O. is £40; for a P.O. £1 1*s.* 5*d.*; (3) the payee's name is not inserted on the M.O. until it is presented for payment, but the payee's name can be inserted on a P.O. either by the remitter or the payee; (4) the payment of a M.O. can only be made at one specified office (except when paid through a bank), but the place of payment of a P.O. rests either with the remitter or the payee; (5) when presenting a M.O. for payment at a Post Office the payee must sign his own name and must furnish also the name of the remitter, but when presenting a P.O. the payee is only required to sign his own name; (6) a M.O. can be telegraphed, a P.O. cannot; (7) a P.O. contains a Counterfoil which can be filled in and filed for reference; a M.O. does not; (8) an uncrossed P.O. in which the payee's name has not been inserted is subject to compulsory registration if discovered by the Postal authorities during transmission; a M.O. is not so liable; (9) a M.O. is legally void if not presented for payment within *twelve months* after the month of issue, but if good reason is given for the delay, a new order, subject to a charge of 6*d.* will be issued. A P.O., if not presented for payment within *three months*, will only be paid on payment (by means of stamps affixed to the *back* of the order) of a commission equal to the original poundage. If not presented within *six months* from the last day of the month of issue, the order must be sent to the Controller of the M.O. Dept., London, with a request for payment at some specified office; (10) a P.O. is payable on demand, but the payment of a M.O. may be deferred for a period not exceeding ten days.

Inland Money Orders. The rates of poundage on Inland Money Orders are:

For sums not exceeding			£1	.	.	.	.	2*d.*
,,	,,	above	£1	and not	exceeding	£3	.	3*d.*
,,	,,	,,	£3	,,	,,	£10	.	4*d.*
,,	,,	,,	£10	,,	,,	£20	.	6*d.*
,,	,,	,,	£20	,,	,,	£30	.	8*d.*
,,	,,	,,	£30	,,	,,	£40	.	10*d.*

No single M.O. is used for more than £40, and no order may contain a fractional part of a penny.

Application for Money Orders must be made upon the printed requisition form supplied free of charge at all M.O. offices, and the payee's name, title, or designation, should be stated as fully as possible. *Crossing the Order.* The remitter may request the Postal official issuing the order to cross it, or may cross it himself.

Transmission of the Order. Duplicate copies are made, one of which is handed to the remitter and the other is sent to the paying office, together with a Letter of Advice, stating the amount and the payee's and remitter's names. Unless the order be presented through a bank the person presenting it for payment must furnish the remitter's name.

Stoppage of Payment of an order payable in the United Kingdom can be made by sending notice (accompanied by 4*d.* in stamps) to the paying office.

Deferring Payment. A remitter can defer payment of a M.O. for a period *not exceeding ten days* by filling up the request at the foot of the Order, and informing the issuing postmaster of the fact.

Loss of Order. If lost *in post* a duplicate will be granted free of charge

upon written application, with the necessary particulars, to the Controller of the M.O. Dept., or to the Accountant G.P.O., Edinburgh or Dublin, according to the country of issue. If lost either by remitter or payee a fee of *6d.* (which should be forwarded with the application for a duplicate order) is charged.

Lapsed Orders. *See* below.

Inland Telegraph Money Orders. Money can be transmitted by telegraph from any M.O. office in the United Kingdom (which is also a despatching office for telegrams) and made payable at any other M.O. office, which is also an office for the delivery of telegrams. *Limit :* £40. *Charges.* The ordinary M.O. charges, plus the cost of the telegram, plus an extra fee of *2d.* *Delivery.* (1) At payee's address ; (2) to be called for at a Post Office. If to be called for, the remitter should fill in the name of the paying office in the space provided, and give the payee's address as, "Post Office." *Presenting for Payment.* If the M.O. is addressed "to be called for," the payee must produce some evidence of his identity. *Deferred Payment.* Telegraph M.O.s cannot be deferred in payment. *Crossing.* By paying for the word "crossed" in the telegram of advice the remitter can have the Telegraph M.O. crossed. *A Private Message* (limit : twelve words) from the remitter to the payee can be included in the telegram. *A Certificate of Issue* is handed to the remitter and should be filed. *Advice of Payment* can be had on payment of *2d.*, plus the cost of telegraphing "Advise payment," and the remitter's name and address.

Foreign and Colonial Money Orders. *Charges.* From *3d.* for sums not exceeding £1, up to *5s.* *3d.* for a sum not exceeding £40. (*See* P.O. Guide.) *Limit* varies with different countries, but in no case exceeds £40. *Form of Application.* A special form must be filled up, and the remitter will receive either (1) A M.O. to be posted to the payee ; (2) a Certificate of Issue, in which case payment will be made by means of an Order issued by the Postal authorities abroad. (*See* P.O. Guide.) M.O.s for transmission abroad should be taken out at least *one day* (in some cases *two days*) before the mail-day, but may be taken out later if the remitter pays the cost of a telegram to the M.O. Dept., London, plus a fee of *6d.* *Payment of Orders Abroad.* The P.O. Guide gives full information as to the currency in which payment is made, and its relation to English currency.

Lapsed Orders. Orders issued in the United Kingdom and payable abroad are valid for twelve months after issue. *Exceptions :* Austria-Hungary and the Dutch W.I., six months ; Argentine, Brazil, Congo Free State and Uruguay, five months ; Greece, 1 month.

Foreign Telegraph Money Orders may be sent to and received from all countries marked T in the P.O. Guide. *Charges.* Ordinary Foreign M.O. charges, plus the cost of a telegram of advice at the ordinary foreign rate, plus a fee of *6d.* *Regulations.* The general regulations for Foreign M.O.s and Inland Telegraph Orders apply as far as they are applicable.

POSTAL ORDERS

Postal Orders (*see also* p. 121) are issued at *6d.*, and multiples of *6d.* up to £1, and also at £1 *1s.* The nominal value of any P.O. may be increased up to *5d.* by affixing stamps (not more than three in number) to the space provided on the face of the Order. *Charges :* ½*d.* from *6d.* to *2s.* *6d.* ;

1*d.* from 3*s.* to 15*s.*; 1½*d.* from 15*s.* 6*d.* to 21*s.* *Counterfoil.* Each P.O. is provided with a counterfoil, which should be filled up, torn off, and filed for reference. In case of loss of the P.O. through the post, the counterfoil must be produced when making any application to the Postal authorities.

Transmission to the Payee. Before transmitting, the remitter should fill in the payee's name, but it is better to leave blank the paying office, unless accurately known.

Postal Orders Payable Abroad. P.O.s issued in the United Kingdom are payable in many of the British Possessions. (*See* P.O. Guide.)

Test Paper XXXV

1. Show the letter Southey and Co. would write to Cookes and Burrell advising them that the case had been forwarded per L. and Y. Railway and requesting them to ship and insure the goods. (*West Riding C.C. Inter.* 1909.)

2. Distinguish between (*a*) Customs; (*b*) Excise; (*c*) Specific; (*d*) Ad valorem duties. (*West Riding C.C. Adv.* 1909.

3. On May 15, 1910, Parfitt ordered Hooper and Co. to send some goods by Sutton and Co., carriers. Hooper and Co., however, forwarded them by passenger train and Parfitt had to pay 3*s.* 9*d.* more for carriage than he would have paid had his instructions been observed. Show the letter Parfitt would write to Hooper and Co. and the document that would accompany the letter.

4. Make out a Consignment Note for the goods mentioned in ques. assuming that they were packed in two cases addressed to the consignee. Wt. in each case, 1 cwt. 1 qr. 2 lb.; carrier, L. & N.W.R. Carriage forward

5. When one of the cases referred to in the previous questions was opened it was found that the lid had been so badly nailed on that the greater part of 6 rms. of Foolscap had been damaged through nails being driven into them. Show the letter the Secretary would write to Cockes and Co.

6. What articles imported into England are dutiable? Where do they come from? (*N.U.T. Elem.* 1908.

7. You are instructed to despatch a bale of goods to St. Petersburg.) How will you set about it? What points need special attention? (*N.U.T. Elem.* 1907.

8. Suppose you lost a cheque given to you by your customer. What steps would you take, and what is your position with regard to the giver of the cheque.

9. What would be the result if you paid into your bank (1) a torn cheque, (2) a cheque where the words and figures differed?

10. Draw a cheque on the London City and Midland Bank in a form which in your judgment offers the maximum of security.

11. Describe what you know about cheques. (*Lancs. and Ches. Union*, 1909.)

12. From the following particulars draw a cheque payable to bearer. drawer, S. Silverlock; drawees, West and North Riding Banking Co.; payees, The Roundhay Estates, Ltd.; amount, £86 10*s.* Show how this cheque may be altered to make it payable to "Order" and give the endorsement which would then be required. (*West Riding C.C. Elem.* 1907.)

13. Explain the difference between (1) An "Order" and a "Bearer"

cheque; (2) A "crossed" and an "open" cheque. In filling in the figures representing the amount for which you are drawing a cheque, what should you be careful to do, and for what reasons?

(*West Riding C.C.* 1906.)

14. Give as many examples as you can of the various modes of crossing cheques and state the effect of each. (*West Riding C.C.* 1904.)

15. What is meant by drawing bills in a set, and drawing bills in duplicate?

16. Explain "discounting" a bill and show how discount differs from interest.

17. Explain "Secunda Via." What do you understand by "renewing" a bill?

18. What are "accommodation bills" and what is meant by "backing a bill"?

19. Define Usance and state what you know of Banker's drafts and India Council Bills.

20. What are T.T.'s and B.P.B.'s?

21. What purpose is served by adding to a bill the words "Payable at the rate of Exchange as per first London Endorsement."

22. Draft a form of P/ by John Smith for £100 payable 1 month after date to the order of Wm. Brown and domicile it at the Provincial Bank of London.

23. J. Mariette in France has sold silk to A. Platt in London for £500, and he wishes to place that sum to his credit with his correspondent in England, F. Williams. Draw the bill (in English) showing how he could do this, and show what safeguard he could adopt to prevent the return of the bill to him in case A. Platt dishonours it?

24. Define in your own words "Holder in due course."

25. What do you understand by payment "Supra Protest," and how is it effected?

26. Give illustrations of qualified acceptances of Bills of Exchange, and state the effect of taking a qualified acceptance.

27. What is an Accommodation Bill? How is such a bill discharged?

28. When a bill is not payable on demand, how is its due date determined?

29. When may a bill be accepted for honour Supra Protest? What responsibility does the acceptor for honour undertake?

30. In case of a foreign bill being dishonoured by non-payment, what steps must be taken to recover on the bill?

31. A has found a crossed cheque marked "Not negotiable" and pays it into his banking account. What is the position of the parties when the true owner claims payment?

32. Show by examples in what ways the sum payable by a B/E may be indicated.

33. When and by whom may a cheque be crossed specially?

34. What Bills of Exchange require noting and protesting?

35. What is a notarial act of honour?

36. In case of a Bill of Exchange being dishonoured, what notice should be given?

37. What Bs/E require a penny bill stamp?

38. "Rice is sent to England for sale on Commission." State exactly how this end is accomplished and what documents are used.

39. Trace the transition from "Barter" to the modern methods of

trade, and state what you conceive to be the chief advantages of commerce.

40. Distinguish between Revenue, Protective, Prohibitive, and Retaliatory duties. What is Preference? What is the "most favoured nation" clause?

41. Explain the wide difference between the values of British Imports and Exports. Do you think we suffer by reason of our large imports, or gain by them?

42. Give an outline of the conditions which must be satisfied before an insolvent debtor can be adjudicated bankrupt.

43. Distinguish between debased and depreciated currency. What circumstances lead to depreciation of paper currency and what is the result of such depreciation?

44. Describe the functions and enumerate the Departments of the Board of Trade.

45. What do you understand by Bi-metallism? Give one or two of the chief arguments for and against it.

46. What effect has dear money on the Stock Market?

47. Describe the nature and use of Finance Bills.

48. Distinguish between Convertible and Inconvertible Paper Currency and state the advantages and disadvantages of the latter.

49. What is a Clearing House? Name any such institution with which you are acquainted and explain clearly the procedure followed.

50. How is International Trade financed? What documents are used in settling International indebtedness? To what extent is metallic money used?

51. Whence are the funds of the Money Market derived? What is meant by "Cheap Money?"

52. The Bank Rate is 6 per cent. What effect would you expect this to have on Stock Exchange securities, Consols, for instance? What would be the effect on the price of Consols of a fall in the Bank Rate?

53. Describe as fully as you can the work of a Banker's Clearing House.

54. What figures in the Bank Return constitute the "Reserve"? Why is so much attention paid to fluctuations in the Reserve?

55. What do you understand by "Bank Rate"? What is its relation, if any, to the Market Rate? Is the Deposit Rate in any way connected with it? What does a rise in the Bank Rate imply?

56. What are the regulations under which Bank of England notes are issued? What is approximately the "active" circulation?

57. What do you understand by the "Money Market"?

58. Write out with approximate correctness the current Bank of England return for the Issue Department, giving exact figures for the fiduciary issue.

59. What steps are taken to discourage the exportation of gold or to encourage its importation (*a*) by Germany; (*b*) by France; (*c*) by Great Britain. Why is so much importance attached to Gold Reserves? Can the Bank of England place any check upon withdrawals of the gold?

60. How do you account for London's pre-eminence as a commercial centre and as the money market of the world?

61. Find the sterling equivalent of Francs 16,485.75 @ 25.175 and show at what discount the paper dollar stands when the gold premium at Buenos Ayres is 127.275.

62. Enumerate the principal factors in the Money Market, and explain carefully the functions of Bill Brokers.

63. What is the regulation weight and fineness of (*a*) the British sovereign; (*b*) German 20-mark gold piece; (*c*) French 20 franc gold piece; (*d*) U.S.A. gold $? Establish the Mint Par of Exchange between England and any one of these countries.

64. What standard of value is used in China, Japan, India, France, Mexico, U.S.A.?

65. If the British sovereign weighs 123.27447 grains, $\frac{11}{12}$ fine, and the U.S. gold $ 25.8 grains $\frac{9}{10}$ fine, show by actual computation the Mint Par of Exchange between England and U.S.A. in terms of the $.

66. What do you understand by (*a*) Specie Points; (*b*) Arbitrages; (*c*) Course of Exchange?

67. Explain "Short," "Medium" and "Long" Money. How is a consignment of cotton usually paid for? Explain the procedure, and say what is meant by a Broker being "forced into the Bank."

68. What is the object of putting "in case of need" on a Bill of Exchange? Is the holder bound to take it to the person so named?

69. You receive a B/E dated September 22, payable three months after date. When should it be presented for payment?

70. A B/E has been accepted for the honour of the drawer and is dishonoured by the acceptor for honour. What would you do with it?

71. What is a Letter of Hypothecation?

72. Mention the alterations in an acceptance that require confirmation.

73. Show in what ways a cheque may be endorsed, and how to turn a general into a special endorsement.

74. What are "tickets" used for on the Stock Exchange? Explain in detail the process.

75. What do you understand by dealing in options?

76. What is the Stock Exchange settlement? What is a Special settlement?

77. What is meant by (*a*) the Turn of the Market; (*b*) Close Prices; (*c*) Short of Stock; (*d*) Prices "receded on profit taking"; (*e*) Prices "rose on bear covering."

78. What is the meaning of the double quotation on Stock Exchange prices? What are (*a*) Wide Quotations; (*b*) Tape Prices; (*c*) the Official Lists; (*d*) Closing Prices; (*e*) Street Prices.

79. Who may be elected a Member of the General Purposes Committee of the London Stock Exchange?

80. Into how many days is settlement divided? Describe the work of each day.

81. Explain the difference between "Contango" and "Backwardation."

82. Name the classes into which shares of Joint Stock Companies may be divided, and describe the characteristics of each.

83. What part of the work of the London Stock Exchange is performed by the Buying-in and Selling-out Department?

84. What is the effect of the notice by a Company that its transfer books will be closed on a certain date on a purchaser of its Stock?

85. Give a brief account of the origin of the National Debt.

86. Explain the following: The Account, Jobbing Book, Contract Note, Founder's Shares, Scrip Certificate.

87. What effect has dear money on the Stock Market?

88. Give the substance of the Rules of the London Stock Exchange as to brokers and double commission.

89. What would be the position of a jobber if a client had sold shares

for special settlement and the hammer price on default of the broker had risen, and the client of the broker had come forward and completed his bargain ?

90. What difference exists in the use of the word "Funds" when applied to English investments and when applied to Foreign investments.

91. What is the effect of the assured abandoning the subject matter, and failing to give notice to insurer ? When is notice of abandonment not necessary ?

92. A cargo valued at £10,000 is insured for £1000 by ten underwriters, who each underwrite £100 ; the cargo is damaged by sea perils to the extent of £1000. How much is each underwriter liable for ?

93. If not provided for otherwise by the policy, what proportion of the loss may the assured recover from the insurer in case of a General Average Contribution, and in a case of a General Average Sacrifice ?

94. Explain the following : Sue and Labour Clause, Barratry, Implied Warranties, Particular Average Warranty.

95. Explain what is meant by Subrogation. What would be the rights of the parties where, after a ship has been declared missing, and the insurer has paid for a Total Loss, the ship arrives.

96. A ship insured "at and from" C sails from C with an insufficient crew, and is lost. What liability attaches to the insurer ?

97. What is included under the term "Average unless General" ?

98. Distinguish between Re-insurance and Double Insurance.

99. Describe the nature of a Floating Policy. Explain the effect of the words "from" and "at and from" in a Marine Policy.

100. What would be the effect on underwriters X and Y in the following circumstances : a vessel is insured with X for a voyage, and sustains a particular average damage, which remains unrepaired when the policy expires. Immediately after the expiration of X's policy the vessel is covered for a similar amount by a policy with Y, during the currency of which, and before the repair of the damage, the vessel is totally lost ?

101. Who would have to pay the rent of warehousing a cargo, and the reloading and outward port charges in the case of a vessel being compelled to put into port for common safety to effect repairs in consequence of a particular average damage ?

102. In what cases may an insurer get a return of the whole or part of the premium, and when may he not ?

103. What are the customs of Lloyds as to damage by wear and tear to ships' equipment ?

104. "General Average and Salvage Charges payable as per official foreign adjustment, if so made up, or by York-Antwerp Rules, if in accordance with the contract of affreightment." Explain this extract.

105. Define Bottomry and Respondentia ; when may their use be justified ?

106. Explain the following : F.C.S. Average Bond, F.A.A., Barratry, P.P.I., *pro rata* freight.

107. What is meant by the statement that a contract of Marine Insurance is a contract of Indemnity ?

108. What stamp duty is required on a Marine Insurance Policy ?

109. What is included under "Perils of the Sea" in Marine Insurance ?

110. How is the Insurable Value of a ship ascertained ?

111. How is the value of ship, freight and cargo ascertained and verified for purposes of General average ?

112. Where an Insurance is effected by an Agent, what duty is cast upon him as to disclosures? What would be the effect on an Insurance where the Broker who arranged it omits to disclose a letter in his possession from the captain saying that the ship had been ashore and that she was being repaired? This was not done dishonestly.

113. Describe in your own words what is meant by "deviation" in Marine Insurance. Is the following "deviation"? Policy on ship A to B. There are two tracks to B, one going north, the other south of the island C. Sometimes one track, and sometimes the other is the better, and the master ought to exercise his own discretion in each case. The owners direct him to call at a port on the north of the island of C. He thereupon takes the northern course, and his ship is captured.

114. What kind of losses are included in the following? (1) A cargo of tobacco is so sea-damaged as no longer to answer the description of tobacco; (2) If by any process the tobacco could be re-conditioned so as to make it saleable as tobacco, but the cost is prohibitive; (3) If it is not so damaged that it cannot be made saleable tobacco and forwarded to its destination at a reasonable cost.

115. Explain the difference between Particular Average Loss and Particular Charges.

116. In the case of a Particular Loss where the Insurer has paid for the same, what is his position as regards the subject-matter of the thing insured, or what remains of it?

117. "Average payable on each valuation separately or on the whole." Explain the effect of this clause in a Marine Policy.

118. Unless provided otherwise by the policy what losses is an insurer not liable for?

119. Explain the following: Rules as to notice of abandonment, Captain's Protest, Average Bond, Salvage Loss, and Causa Proxima.

120. An outward bound ship is damaged off Dover. What action would be taken (*a*) by the owners; (*b*) by the shippers of goods on board?

121. Explain as fully as you can the "implied warranty" of "Seaworthiness."

122. Give some account of the "Memorandum" of 1749 in a Lloyd's Policy.

123. Describe the functions and organisation of the British Consular Service or of Lloyd's.

124. (*a*) What conditions are essential to the validity of a Marine Insurance Policy according to English law? (*b*) What are the most direct proofs of "Interest"? (*c*) Explain P.P.I.; and Wager Policy.

INDEX

A1 explained, 480
ABBREVIATIONS, list of, 542–549; to be avoided, 549
ABERDEEN LINE, 279
ACCEPTANCE, 307; for honour supra protest, 314
ACCOMMODATION PARTY, 330
ACCOMMODATION BILLS, 329–330, 405
ACCOUNT DAY (Stock Exchange), 459
ACCOUNT, checking of, 119; defined, 113; opening of, 111; payment of, 120–125; receipting of, 117–119; rendering of, 113–115
ACCOUNT CURRENT, interest on, 201–202; specimen of, 203
ACCOUNTS RENDERED BOOK, 116
ACCOUNT SALES, specimens of, 151, 164, 199
ACTUAL AND CONSTRUCTIVE TOTAL LOSS, 490–491
ADDRESS BOOK, 37
ADDRESSOGRAPH, 37
AD VALOREM DUTY, 228
ADVERTISEMENTS, answering of, 10–11
AFFREIGHTMENT, 477–479; CONTRACT OF, 478
AGENT, defined, 139; kinds of, 140
AGIO, 356
AGREEMENT, 129; (DEL CREDERE), 141
AIRE AND CALDER NAVIGATION, 282
ALLAN LINE, 275
ALLONGE, 305
AMERICAN LINE, 275, 276 *note*
ANCHOR LINE, 275, 277
ANNUAL WRECK REGISTER, 345
ANNUITIES, 512 (Life Assurance); 371 (Post Office); 433 (Terminable)
ARBITRAGE, 406 (Foreign Exch.); 469 (Stock Exch.)
ARBITRATED EXCHANGE, 406
ARBITRATION, Simple and Compound, 406
ARBITRATION, ARBITRATOR, 139
ARTICLES OF ASSOCIATION, 417
ASSETS, kinds of, 418
ASSURANCE COMPANIES ACT, 1907, 511
"AT A DISCOUNT," 429, 430
"AT A PREMIUM," 429, 430
ATLANTIC TRANSPORT CO., 275, 276 *note*
"AT PAR," 429, 430
AUTHORISED CAPITAL, 417
AUTHORISED CLERKS, 451
AVERAGE ADJUSTERS, 500
AVERAGE BOND, 500
AVERAGE CLAUSE (Insurance), 529
AVERAGE DUE DATE, 334
AVERAGE POLICY (Assurance), 529
AWARD, 139

BACKWARDATION, 462
BAILEE, 130 *note*
BALANCE OF INDEBTEDNESS, 403–405
BANK, B/S of, 366; customer and, 301, 366; derivation of word, 360; functions of, 288–289; kinds of, 362; minimum balance at, 291; overdraft at, 364; payments into, 294, 299; NOTES, 122, 316, 363; OF ISSUE, 363; POST BILLS, 332, 374; RATE,

380; RETURN, 372–375; RECONCILIATION STATEMENT, 292
BANK ACT OF 1844, 372–373, 381
BANK OF ENGLAND, branches of, 384; constitution of, 371–372; fiduciary issue of, 373; "Notes in Reserve" of, 375; RESERVE, 375–376; REST, 374; RETURN, 373
BANKERS' BILLS, 401
BANKERS' CLEARING HOUSE, 293, 382–385
BANKERS' DRAFTS, 330
BANK OF IRELAND, 361
BANKING ACCOUNT, 288–301; banker's commission on, 293; kinds of, 293; interest on, 293
BANKING (Scotch and Irish), 361, 363, 364, 385
BANKRUPTCY, 339–344; acts of, 340; adjudicating, 342; criminal offences in, 344; discharge in, 344; first meeting of creditors in, 341; offences not criminal in, 344; Official Receiver in, 341; preferred creditors in, 343; public examination in, 342; secured creditors in, 343; NOTICE, 341; PETITION, 340; RECEIVING ORDER, 341; TRUSTEE, 342–343
BARRY RAILWAY, 263
BARTER, 128, 349
BATAVIER LINE, 274
BED (Tea), 225
BIBBY LINE, 277
BILL (Customs), 221
BILL BROKERS, 397
BILLS OF EXCHANGE, accepting, 307–308; backing, 330; bankers' advances on, 326; collection of foreign, 326; days of grace on, 311; definition of, 289, 306; discharge of, 313; discounting of, 363; discount on, 320; dishonouring, 309, 312, 328; domicile of, 319; drawing, 317–326; endorsement of, 309; extra wording on, 333; First and Second, 321; forged signature to, 310; holder of, 309; holder in due course of, 310; intervention for honour, 314; kinds of, 401; liability on, 311–312, 329; list of Foreign Banks for drawing on, 326; negotiation of, 309; noting and protesting of, 328; parties to, 306; presentment for payment of, 310; purchasing from brokers of, 332; renewing, 329; retiring, under rebate, 331; stamping of, 316–317; specimens of, 306–307, 318–319, 321, 324; tenor of, 308; usance of, 330; uses of, 304
"BILLS FOR ACCEPTANCE," 327
BILLS OF LADING, 477; cost of, 187; stamping of, 478
BILLS OF SIGHT, 225
BILLS PAYABLE, 318, 326–328
BILLS RECEIVABLE, 318–326
BI-METALLISM, 356, 357, 389
BIRMINGHAM CANAL, 283
BLENDING (Spirits), 225
BLOCK LETTERING, 22
BOARD OF TRADE, Departments of, 345–347; Life Offices and, 511; JOURNAL, 345
BOILER INSURANCE, 539
BONDED CARMEN, 219–220
BONDED STORES AND WAREHOUSES, 218
BONDS, 220–224 (Customs); 431 (Currency); 430–431 (Gold and Sterling)
BOOM (Stock Exchange), 463
BOOTH LINE, 280
BOTTOMRY, 499
BOUNTIES, 229
BRASSAGE, 353
BREAK (Tea), 225
BRIDGEWATER CANAL, 281
BRITISH AND AFRICAN S.N. CO., LTD., 278
BRITISH GOVERNMENT SECURITIES, 433
BRITISH INDIA LINE, 277, 278
BRITISH LINEN BANK, 361
BROKER, BROKERAGE, defined, 140
BROKER (Stock Exchange), charges of, 471; definition of, 451; (OUTSIDE), 464
BRUMS (Stocks), 471
BUCKET SHOPS, 464
BUCKNALL SS. LINES, LTD., 278
BULKING, 225

Bullion, 353
Bulls and Bears, 462
Burglary Insurance, 539
Buyer defined, 350
Buying-in Department (Stock Exchange), 459
By Procuration, 60

Caledonian Canal, 285
Caledonian Railway, 265
Call (Stock Exchange), 466
Called-up Capital, 418
Call Notice, 421, 443
Call of More, 466
Cambist, 360
Cambrian Railway, 265
Canadian Australian Line, 273
Canadian Magazine Post, 557–558
Canadian Pacific Line, 273, 275
Canadian Pacific Railway, 273
Canals and Waterways, 281–286; advantages and disadvantages of, 286
Canpacs (Stock), 471
Cape Route, 278–279
Capital, kinds of, 418
Carbon Copying, 15
Card Index, 18
Carriers, kinds of, 169, 173; liabilities of, 173; payment of charges to, 178; (Common), 173
Cash against Documents (C/D), 201
Cash Credits, 364
Cash Discount, 82
Cash on Delivery (C.O.D.) defined, 82; Service (P.O.), 561
Cash with Order (C.W.O.), 82
Casualty Insurance, 539
Causa Proxima (Marine Insurance), 490, 506
Caveat Emptor, 132
Cd. explained, 232
Certificate of Origin, 189, 229
Certificate of Survey, 219
Certified Invoice, 212
C. and F., 194
Chain Rule, 410
Charter Party, 477; kinds of, 478; stamping of, 478
Chemin de Fer Midi Railway, 270
Chemin de Fer Nord Railway, 269
Chemin de Fer Orleans Railway, 270
Cheque Book, 291
Cheques, advantages of, 289–291; bankers' liability on, 301; bankers' marks on, 300; crossing of, 290, 297; definition of, 288, 301; Dishonoured, 299–300; drawing of, 291, 296, 298; endorsing of, 290, 299; Forged, 301; kinds of, 290; Lost, 301; Marked, 301; Mutilated, 300; negotiability of, 297; "not negotiable," 290, 297, 298; Open, 290; payee of, 290; Post-dated, 300; Stale, 300; with Receipt Form attached, 124–125
Chop (Tea), 225
C.I.F., 195; Invoice, 198
Circular Letters of Credit, 405
Circulating Assets, 418
Circulating Capital, 418
Clean Bill of Health, 217
Clean Receipt, 119
Clearance Inwards and Outwards, 226
Clearing Bills, 404
Clearing Houses, 293; 382–385 (Banking); 180 (Railway); 457 (Stock Exchange)
Clearing Note and Stores Certificate, 226
Codes, 64–66
Coin, kinds of, 352; stock of gold, 358, 376; use of, 350
Colonial Preference, 230
Colonial Stock Act, 1900, 438
Command Papers, 232
Commerce defined, 128
Commercial Credit, 365
Commission Agent, defined, 140; duties of, 182
Company see *Joint Stock Company*, etc.
Company Limited by Guarantee, 416
Compania Trasatlantica, 278
Companies' Winding-up Department, 346
Company Policy, 479, 487
Company Promoters, 419
Company's Risk, 174

Compound Arbitration, example of, 407
Condition (Contract), defined, 131; (Implied), 132
Consignments, defined, 198; drawing against, 200–201
Consignment Accounts, 198–200
Consols, 433
Consul, duties of, 194
Consular Invoices, 193–194
Contango, 462; Day, 459
Continuation Clause, 505
Contract, conditions and warranties in, 131; determination of, 339; kinds of, 129; necessity for written, 131; rights of parties under, 303; terms of, 133; when enforceable, 129
Contracted Multiplication and Division, 411–413
Contract Notes, 146 (Goods); 453 (Stock Exchange); stamping, of, 146
Cork, Bandon, and S.C. Railway, 268
Corner (Stock Exchange), 464
Copying Press, 13–14
Correspondence, filing of, 21–25 106; recording of, 12; Book, 100
Country Clearing (Banking), 384
Coupon (Interest), 446
Course of Exchange, 395–396; quotations in, 398–399
Covering Note, 480
Credit Note, 79
Crinan Canal, 285
Cum Dividend, 468
Cum Interest, 468
Cum New, 469
Cum Rights, 468
Cunard SS. Co., Government arrangement with, 236; itinerary of, 275
Currants, duty on, 144; how sold, 158
Currency, kinds of, 351
Current Account, 293, 363
Current Rate of Exchange, 390, 392–393; Favourable and unfavourable, 394–395
Customary Tare, note on, 81
Customs Average, 147
Customs Drawback, 217
Customs Duty, 216, 228
Customs Forms, see under *Forms*
Cypher Telegrams, 64–65

Days of Grace, 311
Debenture, defined, 217, 427; Mortgage, 428; specimen of Int. Coupon of, 446; Redeemable and Irredeemable, 429; specimen of, 447; terms of issue of, 430
Debit Note, 78, 79
Declaration (Assurance), 508
Del Credere Agreement, 141, 200
Delivery Book, 168
Delivery Orders, specimens of, 148, 149, 163
Demurrage, 478
Deposit Account, 293
Deviation (Insurance), 486
Direct Exchange, 406
Direct Rate, 406
Discount, kinds of, 81; Houses, 397
Dividend, defined, 429; compared with Interest, 429
Dock Charges, payment of, 190
Docketing, 21
Dock Invoice (Import and Export), 213
Docks, names of London, 227
Docks Lading Account, 187
Docks Landing Account, 236
Dock Warrant, specimen of, 150
Documentary Bills, 330–331
Documents against Acceptance (D/A), 201; against Payment (D/P), 201; of Title, 130
Dominion Line, 275, 276 *note*
Donaldson Line, 275
Doras, 471
Double Option, 466
Double Standard (Currency), 389
Draft, 81, 84 *note*, 147
Drains (Banking), 377
Drawback, 217; Debenture, 217
Drawing Account, 363
Dublin and S.E. Railway, 268
Dundalk, Newry, and Greenore Railway, 267
Duties, kinds of, 228–229
Duty Note, 85

Easier (Prices), 468
Edinburgh and Glasgow Union Canal, 285
Elders and Fyffe's, Ltd., 279
Ellerman's City and Hall Line, 277
Ellerman's City Line, 277
Employer's Liability Act, 1880, 535
Employers Liability Insurance, 535–539; compensation payable, 537; procedure, 537; rates of insurance, 539
Endowment Assurance Policy, 511
Envelopes, sizes of, 36
Estimated Tare, note on, 81
Ex all, 469
Exchange Calculations, formulæ for, 410
Exchange Movements, checks on, 400–401
Exchanges, kinds of, 142
Exchequer Bills, 434
Excise Duty, 216, 228
Excise Drawback, 217
Ex div. (xd), 467–468
Ex Int. (xin), 467–468
Exporting, by Commission Agents, 202–208; by Manufacturer or Wholesale Agent, 184–202; by Packing and Forwarding Agents, 208–209; Dutiable Goods, 224; ways of, 182
Exports of United Kingdom, 233–234
Expressed Warranties, 502

Factor, 140
F.A.S., 195
Federal, Houlder and Shire Lines, 279
Fidelity Guarantees, 539
Filing Correspondence, 21–26
Filling (Wines), 225
Finance Bills, 379
Fire Inquests, 533
Fire Insurance, adjustment of rate to risk, 527; arbitration clause in, 534; assignment of policy of, 534; average clause in, 529; losses excluded by, 532; loss of profits and rent and, 530–531; making a claim, 534; procedure, 528; proposal 528; re-instatement clause in, 533; samples of rates, 531; terms of policy, 532; who may insure?, 528
Fire Insurance Offices, kinds of, 527
Fire Insurance Policies, kinds of, 529; stamping of, 532; voidance of, 534
Firm Name, 337
First and Second of Exchange, 321
Fixed Assets, 418
Fixed Debt Charge, 434
Floaters, 436 (Banking); 529 (Insurance)
Floating Assets, 418
Floating Policy (Insurance), 482, 486, 529
Florin, value of, 396 *note*
F.O.B., 194
Following Landing Numbers, 496
"Forced into the Bank," 398
Forfeited Shares, 422
Foreign and Colonial Correspondence (P.O. Regulations), 556–561
Foreign Drains (Banking), 378–379, 390
Foreign Exchanges, 390–414, see under different headings, *Gold Points*, &c.
Foreign General Average, 503
Foreign Words and Phrases, list of, 550
Forms (Customs), Bond, 252; Bond Note (Transhipment), 243; Certificate of Posting (Foreign P.P.), 256; Certificate of Survey, 237; Certified Invoice, 212; Clearing goods, 211, 239; Customs Declaration (Foreign P.P.), 257; Despatch Note (P.P.), 257; Dock Landing Account, 236; Entry for Free Goods, 238; Entry for Home Use ex Ship, 240; Entry for Warehousing, 240–241; Report, 235; Request Note and Permit, 246; Request for goods for exportation by P.P., 255;

Shipping Bill (Transhipment), 244; Shipping Bill (Dry Goods as Merchandise), 251; Transhipment, 245; Transhipment D/O, 242; Warrant and Warehousekeeper's Order (Dry Goods for Exportation), 249–250 (Wet Goods for Removal), 247–248
Form of Renunciation (Stock Exchange), 469
Forth and Clyde Canal, 285
Forward Delivery, 135
Franchises, 495
Franco Price, 195; Invoice, making out of, 195–197
Free Goods, defined, 216; disposal of, 218
Free of All Average Clause, 503
Free of Capture and Seizure Clause, 490
Free of Particular Average Clause, 503
Free Overside, 135
Free Trade and Protection, 228–234
Freight, defined, 478; how calculated, 191–192; liability for, 494; Note, 187, 210
Funded or Permanent Debt, 433–434
Furness Railway, 260

Garbling, 225
Gauging (Spirits), 225
German East African Line, 277, 279
General Average, 496–506; contributing interests to, 501; English and Continental law respecting, 498; express warranties in, 502; kinds of losses in, 496–497; losses not allowed in, 500; substituted expenses in, 498; Act, 496; Adjustment, 500; Bond, 500; Contribution, 496; Deposit, 500; (Foreign), 503; Loss, 496
General Bond (Customs), 220
General Clearing List (Banking), 383
General Lien, 178
Glamorganshire and Aberdare Canals, 285
Glasgow and South Western Railway, 265
Glen Line, 277
Gloucester and Berkeley Ship Canal, 283
Gold, stock of in United Kingdom, 376
Gold Points, 393–394
Goldsmith's Book, 384
Goods, accepting and receiving, 130, 136; bulking, 225; carrier's liability on, 179; classification of, 170–173; clearing of, 187–189, 226; declaring off Insurance Policy, 190; definition of, 129; delivery of, 135, 167–180; description of, 133; diagram of flow of, 139; duties on, 216, 228; exporting of, 182–215; export prices of, 194–195; freight charges on, 191–192; garbling, 225; importing of, 216–223; (in bond), 218; insurance of, 174, 175, 189, 560; kinds of, 129; labelling of, 167; landing of, 219; loading, 192; on consignment, 137; on sale or return, 136; packing of, 167, 184, 190–191; payment for, 134; price of, 134; quality of, 133; railway rates for, 170–173; repacking, 225; rummaging, 217; selling of, 140–166; table of insurance charges on, 175; transfer of title to and ownership of, 136–137
Graduation (Assurance), 515
Grand Canal, 285
Grand Junction Canal, 284
Graph, 515
Great Central Railway, 262, 274
Great Eastern Railway, 263–264, 269
Great Northern Railway, 261–262
Great Northern of Ireland Railway, 267
Great North of Scotland Railway, 266
Great Southern and Western Railway, 267
Great Western Railway, 263

Gresham's Law, 354
Guelder, value of, 396, *note*

Halfpenny Post, 554–555
Hamburg American Line, 275, 276, *note*, 280, 281
Hamburg Sud Amerikanische D.G., 281
Handwriting, comments on, 4
Harden (Prices), 468
Health Regulations (Ship), 217
Hectograph, 27
Henderson Line, 277
Highland Railway, 267
Holland American Line, 275
Home Drains (Banking), 377–378, 390
Honour Policies, 482
Houlder Brothers and Co., Ltd., 281
Houston Line, 281

I/F, 300
Imperial Direct W.I.M.S. Co., Ltd., 279
Importing, 216–223; Dutiable Goods, 222–224; Free Goods, 220–222
Imports of United Kingdom, 233–234
Imprest Method, 100, 111
In-books (Banking), 383
"In case of need," 314
In-clearers (Banking), 383
Indexing Letters, 16–19
Index Numbers, 351
India Council Bills, 331
Indirect Exchange, 406
Industries, definition of, 128
Information Wanted Form, 101
Inland Correspondence (P.O. Regulations), 551–556
Inland Revenue Duty, 216
Inquiry Book, 103
Interest defined, 320, 429
Interest Policy, 481
Interim Dividends, 423
International Mercantile Marine Co., 276 *note*
Intervention for Honour, 314
Invisible Exports, 403
Invoice, defined, 74; Pro Forma, 77–78; specimens of, 74, 83, 84–97, 147, 155, 162, 188, 197 (Franco), 198 (C.I.F.), 206–207 (Commission Agents), 209 (Shipping Agents); stamping of inward, 106; triplicate, 187
I O U, 316
Issued Capital, 418

Japan Mail SS. Co., Ltd., 277
Jerquer, 226
Jobber, 451
Joint Stock Banks, 362, see also *Bank*
Joint Stock Company, advantages of, 415; annual meetings of, 423; assets of, 418; articles of association of, 417; books of, 422; capital of, 417–418; composition of, 416; definition of, 415; directors of, 420; formation of, 415; holdings in, 424; issued capital of, 418; kinds of, 416; Memo. of Association of, 417; preliminary expenses of, 422; promoters of, 419; prospectus of, 419; winding up of, 423

Kennet and Avon Canal, 284
Kites, 330

Labour Gazette, 346
Lagan Canal, 286
Lamport and Holt Line, 275, 280
Lancashire and Yorkshire Railway, 262
Lancaster Canal, 284
Latin Monetary Union, 356, 408
Lay Days, 478
Leeds and Liverpool Canal, 282
Leeman's Act, 470
Legal Tender, 351
Letter Book, cross-referencing of, 17; general hints *re*, 19; indexing of, 16–18
Letter of Allotment, 421, 441; stamping of, 421–422
Letter of Application, 421
Letter of Credit, 332–333; (Circular), 332, 405
Letter of Hypothecation, 331

Letter of Regret, 421, 442
Letters of Mart and Countermart, 488
Letter Post, 556–557 (Foreign); 551–553 (Inland)
Letters, addressing, 29–36; complimentary close to, 53; copying of, 13–16; filing of, 21–25, 106; folding of, 37; formal openings of, 52; hints about writing, 10–12, 47–61; making up, 36–37; punctuation of, 58; signing of, 60; specimens of, 11, 49, 50, 51, 54, 55, 57, 66–73, 101, 102, 103, 112–113, 116–117, 154, 190, 204, 214, 319, 320–325
Letters Received Book, 13
Leyland Line, 275, 276 *note*, 280
Lien defined, 137; General and Particular, 178
Life Assurance, 508–524; adjustment of observations in, 514–515; annuities, 512; assignment of policy of, 510; contract of, 508; declaration, 508; definition of, 516; graduation, 515; kinds of policies, 511–512; loading, 516; mortality tables of, 513–514; premiums, 509, 516; profits of, 519; proof of death, 510; proposal, 508; quinquennial, &c., valuations, 519; representations, 509; Reserve, 521; surrender values, 522–524; valuation premiums, 520; weighting, 514; who may insure, 509; wording of policy, 509
Life Assurance Offices, kinds of 510,
Limitation Suit, 504
Liner (Ship) defined, 274
Liquidator (Bankruptcy), 423
Lloyds described, 480
Lloyd's Bonds, 436
Lloyds' List, 480
Lloyds' Policy, 479, 487; form of, 483–484
Loading (Assurance), 516
Loco Price, 134
London and N.W. Railway, 259–260; stocks of, 426
London and S.W. Railway, 264
London and Westminster Bank, when founded, 361
London, Brighton and S.C. Railway, 264, 269
London, Chatham and Dover Railway, 264
London Clearing House, 293, 382–385 (Banking)
London Parity, 469
London, Tilbury and Southend Railway, 264
Long Bills, 399
Long Exchange, 399
Long Period Policies, 532
Loose Press Copies, 14
Lot Money, 147

"Making a Price," 451
Making-up Day, 459
Manchester Liners, Ltd., 275, 280
Manchester, Sheffield, and Lincolnshire Railway, 262
Manchester Ship Canal, 281
Manifest (Ship's), 218
Manifold Books, 15
Margin, 463 (Stock Exchange); 516 (Assurance)
Marine Insurance, 479–507; actual and constructive total loss in, 490–491; average clauses, series and separate valuations in, 495–496; cause proxima, 490; character of policies, 481–482; Implied Warranties in, 485; kinds of policies, 479; nature of contract, 481, 485; notice of abandonment, 492; Particular Average, 492–496; phraseology of policy, 485–490; stamping of policies, 481; the Memorandum, 494–495
Market defined, 141; Overt, 137
Market Prices, 452
Market Report, 156–157
Mate's Receipt, 192, 210
Maryport and Carlisle Railway, 260
Medium of Exchange, 349–350
Memorandum (Marine Insurance), 494–495
Memorandum Form, 61
Memorandum of Association, 417

Mercantile Agents, 139–140
Mercantile Bills, 401
Mercantile Gazette, 112
Mercantile Inquiry Agents, 111
Merchant Shipping Act, 1894, 504
Metallic Currency, 351
Metropolitan Clearing (Banking), 384
Middle Prices, 463
Midland Great Western Railway, 268
Midland Railway, 260–261
Mimeograph, 27
Mint Par of Exchange, 390–392
Mintage, 353
Miscellaneous Insurances, 539–540
Mixing (Spirits), 225
Modes of Address, 32–36
Monetary Table, 408–409
Money, appreciation and depreciation of, 351; Call, 397; defined, 350; of Account, 357, 396 *note*; Overnight, 397; peculiarities of, 358; Short, Medium, and Long, 397; Weekly, 397
Money Market, meaning of, 385–388
Money Orders, 122–123; P.O. Regulations concerning, 565–567; postal orders compared with, 565–566
Monkland Canal, 285
Mono-metallic, 356, 389
Months, correct abbreviations for, 549
Mortgage Bonds, 428
Most Favoured Nation Clause, 229

Name Day, 454
Natal Line, 278
National Debt, summary of, 434
Neath and Brecon Railway, 263, 265
Nederland Royal Mail Line, 278
Negotiable Instruments, 303
Net, 113
"New for Old" (Insurance), 493, 497
Newspaper Post, 555
New Zealand Shipping Co., Ltd., 279
Nippon Yusén Kaisha, 277
Non-Tariff Offices, 527
Norddeutscher Lloyd, 276, 278
North Atlantic Route, 274–276
North British Railway, 266
North Eastern Railway, 264
North Eastern Railway Shipping Co., Ltd., 274
North Sea Route, 274
North Staffordshire Railway, 259
Northern Counties of Ireland Railway, 268
Notary Public, 328
"Notes in Reserve" (Banking), 375
Notice of Abandonment, 492
N/S, 300

Obscuration (Spirits), 225
Official Assignee (Stock Exchange), 465
Official Import List, 221
One Man Company, 417
Open Policy, 482, 486
Options, 465–467; Double, 466
Orders, specimens of, 104, 185, 204
Order Form Books, 202
Ordinary Bond (Customs), 220
Orient Express, 270
Orient Line, 277
Out-Books (Banking), 383
Out-Clearers (Banking), 383
Over-entry Certificate, 222
Overtakers, 225
Owner's Risk, defined, 174; rates for, 174–176

Packing Cases, cost of, 191
Packing Goods, 167, 184, 190–191
Pacific S.N. Co., 280
Paid-up Capital, 418
Panama Canal, 273
Paper Currency, 351, 355
Parcel Book, 167, 168
Parcel Post, certificate of posting, 41; delivering goods by, 168 exporting by, 224; Label, 42; Register, 40–41; P.O. Regulations, 558–561 (Foreign) 555–556 (Inland); table of rates for Foreign, 559

Paris, Mediterranean and Lyons Railway, 269
Parity Prices, 469
Particular Average, 492–496
Particular Lien, 178
Partners, defined, 336; kinds of, 337; liability of, 338, 415
Partnership, characteristics of, 337; Deed of, 337; definition of, 336; dissolution of, 339; duration of, 339; limitations of, 416; Limited, 339
Pass Book, 291
Passenger Train Rates, table of, 177
Pay Day (Stock Exchange), 459
Pay-in Book, 293
Pay-in Slip, 295
"Pay the Clearing" (Banking), 384
Payment for Honour Supra Protest, 314
Peninsular and Oriental S.N. Co., Ltd., 277, 279
Penny Banks, 371
Perforated Stamp, specimen of, 40
Per Pro, 60
Peso, value of, 396 *note*
Petty Cash, 109
Petty Cash Book, 109, 113
Pilot File, 23
Plate Glass Insurance, 539
Policy Proof of Interest, 482
Port of London, 227–228
Port of London Act, 228
Portpatrick and Wigtonshire Railway, 265
Ports of Entry, 193
P.O. Express, 270
Postal Orders, 121; P.O. Regulations respecting, 567–568; Money Orders compared with, 565–566
Post Book, 39
Postcards, 557 (Foreign); 554 (Inland)
Postscript defined, 61
Post Entry (Customs), 222
Post Office Information, 551–568
Post Office Orders, 122
Post Office Savings Bank, 367, 369, 371
P.P.I. Policies, 482
Pratique, 217
Premium, 356 (Currency); 528, 532 (Fire); 508 (Life); 480, 489 (Marine); 338 (Partnership); 429, 430 (Shares); 538 (Workmen's Compensation)
Prepositions, list of, 56
Price, defined, 128, 194; kinds of, 134
Price Current, 152–153
Primage, 192
Prime Entry (Customs), 218, 222
Principal defined, 140
Printed and Commercial Papers Post, 557–558
Private Banks, 362
Pro Forma Invoice, 77–78, 198
Promissory Notes, 315–317
Prompt Cash defined, 82
Protected Countries, 228
Protective Taxes, 228
Punctuation, hints on, 58
Put (Stock Exchange); and Call, 466; of More, 466

Qualified Receipt, 119
Queensland Line, 277

Racking (Wines), 225
Railway and Canal Traffic Act of 1854, 174
Railway Clearing House, 180
Railway Consignment Notes, 176, 178
Railway Rates, 169–179; table of, 173; book on, 180
Railways of United Kingdom, 259–269
R/D, 300
Receipts, foul and clean, 193
Receive and Received Notes, 168
Red Star Line, 275, 276 *note*
Regent's Canal, 284
Register of British and Foreign Shipping, 480
Reinstatement Clause (Insurance), 533
Reinsurance Clause, 505
Remedy (Coinage), 352
Reminder Forms, 116–117

Remittance, defined, 124; Book, 124
Rennie's Aberdeen Line, 278
Request Note (Customs), 223
Respondentia, 499
Rigging (Markets), 464
River Plate Route, 280–281
Rotary Copying, 16
Rotary Multiplier, 29
Rotation Numbers, 218
Rotterdam Lloyd, 278
Royal Bank of Scotland, 361
Royal Canal, 285
Royal Exchange, 395
Royal Mail S.P. Co., 280
Royal Mint, 353
Routes, 268 (from England to Scotland); 268–269 (to Ireland); 269–272 (to the Continent); 272–281 (Trade)
Rummaging (Customs), 217
Runners (Banking), 383
Running Down Clause, 504
Rupee, note on, 356

Sale defined, 129
Salvage, 502; Award, 502
Sample defined, 133
Sample Post, 558
Sans Frais, 333
Sans Recours, 334
Savings Banks, 367; Acts, 368–369; Statistics, 369; Trustee, 367
Scale for Smalls, 171
Scotch Railways, 265–267
Scrip, 431, 432; Omnium, 433; Certificate, 432
Searcher (Customs), 224, 226
Secundia Via, 187, 323
Securities, 432 (Bearer); classes of, 433; character of, 435; definition of, 431; examples of, 435; kinds of, 431; gilt-edged, 468; 431 (Inscribed); 431 (Registered); stamping of, 436
Seignorage (Coinage), 353
Seller defined, 128, 350
Series (Goods), 496; Tail, 496
Settlement (Stock Exchange), 459
Settling Day (Stock Exchange), 459
Seventeen Offices' Talle, 514
Shannon File, 24
Share Certificate, 424, 446
Shareholders' Register, 424, 444
Share Warrants, 426
Shares, Application Form for, 440; banker's receipt for Allotment money on, 441; 424 (Common); 425 (Cum. Pref.); 425 (Deferred); definition of, 424; 425 (Founders' or Management); kinds of, 424; 425 (Pref.); terms of issues of, 429; underwriting of, 420
Shaw, Savill and Albion Line, 279
Sheffield and South Yorks Navigation, 283
Shipping Note, 186, 214
Ship's Protest, 491
Shire Line, 277
Short Bills, 399
Short Loans, 461
Shropshire Union Canal, 281
Sight Exchange, 399
Simple Arbitration, 406
Single Reserve System, 389
Sinking Funds, 433–434
Sister Ship Clause, 505
Slip (Insurance), 479
Sole Trader, 336
Somerset and Dorset Railway, 261
South Eastern and Chatham Railway, 264
Special Offer List, 158
Specific Duty, 229
Specific Policy (Assurance), 529
Split Tickets, 457
Spot Cash, 82
S/S, 465
Stafford and Worcester Canal, 283
Stags, 463
Standard of Value, 352
Stamp Duties (Stock Exchange), 470
Station (Customs), 225
Statistical Abstract of the United Kingdom, 232
Statement, specimen of, 115
Statement in lieu of Prospectus, 419
Stationery, sizes of, 36–37

Steamship Routes, 272–281
Stencilling of Cases, 184
Sterling (Money), 358
Stiver, value of, 396 *note*
Stock, Consolidated Ordinary, 427; Convertible, 430; Debenture, 427; Guaranteed, 427; kinds of, 424; Preference, 427; Trustee 437
Stock Exchange, Brokers' charges on, 471; carrying over, 460; check on prices, 452; description of, 450; Defaulters on, 465; hammering on, 465; making up prices, 460; members of, 450; method of business on, 451–453; slang of, 471; stamp duties (see *Stamp Duties*); transfer of securities on, 455–457; Clearing House, 457; Contract Note, 453; Differences, 460; List, 458; Prices, influences on, 471–475; Options, 465–467; Settlement, 459; Special Settlement, 464
Stock Receipt, 432
Stoppage in Transitu, 138
Strabane Canal, 286
Street Prices and Transactions, 463
Subrogation, 502
Subsidies, 230
Subscribed Capital, 418
Substituted Expenses, 498–499
Sue and Labour Clause, 489
Suez Canal Route, 273, 276–278
Super Tare, 81 *note*
Surrender Values (Assurance), 522–524
Swansea Canal, 285
Syndicate, 463

Table A (Companies), 4–7
Taff Vale Railway, 263, 265
Talon, use of, 432
Tape Prices, 463
Tare, 80, 81 *note*
Tariff Offices (Insurance), 527
Tariffs, Maximum and Minimum, 229
Tautology, examples of, 57
Telegraph Codes, 64
Telegraphic Address, cost of, 65
Telegraphic Transfer, 332, 396
Telegrams, cipher, 64; duplicating and confirming, 63; P.O. Regulations, 63, 563–564 (Foreign); 561–563 (Inland); hints about writing, 61–63
Telephone, 42–44; P.O. Regulations, 564–565; Message Form, 43
Test Papers, 19–20, 29–30, 44–46, 72, 97–98, 126–127, 142–143, 165–166, 180–181, 214–215, 241, 243, 245, 246, 247, 249, 250, 253, 254, 258, 287, 302, 335, 347–348, 413–414, 439, 449, 475–476, 506–507, 524–525, 540–541, 568
Thames and Severn Canal, 284
Theory of Probabilities, 513
Ticket Day (Stock Exchange), 454
Time Charter, 478
Time Penalty Clause, 506
Time Policy (Insurance), 482, 505; stamping of, 481
Tolerance (Coinage), 352
Touch and Stay Clause, 487
Town Clearing (Banking), 382–384
Trade, conditions governing, 230; definition of, 128; Discount, 81–82; of United Kingdom, 232–234; Routes, 272–281
Trading Banks, Cash Credit at, 364; functions of, 363; overdraft at, 364
Trading Houses, kinds of, 139
Tramp (Ship), 274
Transfer Register, 445
Transfer Ticket (Stock Exchange), 454
Trans Siberian Railway, 273
Treasury Bills and Bonds, 434
Trent and Mersey Canal, 282
Tret, note on, 81
Truck defined, 349
Trustee Act, 1893, 437
Turn, Turn of the Market, 451
Type (Sample) defined, 133

Ullage, 225
Unauthorised Clerks (Stock Exchange), 451
Uncalled Capital, 418

UNDERWRITERS, 420 (Shares); 480 (Marine Insurance)
UNDERWRITING AGREEMENTS, stamping of, 420
UNFUNDED DEBT, 433
UNION CASTLE LINE, 278
UNISSUED CAPITAL, 418
UNITED KINGDOM, advantages of, 231; Trade of, 232–234, 402; Railways and Canals of, 259–287
UNIT OF VALUE, 352
UNLIMITED COMPANIES, 426
UNVALUED POLICY, 482
USANCE, 330

VATTING (Wines), 225
VALUATION CLAUSE (Insurance), 491
"VALUE RECEIVED" (Bills), 307
VALUE POLICY (Marine Insurance), 482
VALUED POLICY (Fire Insurance), 530
VERBOSITY, examples of, 56
VOWEL SYSTEM OF INDEXING, 18
VOYAGE CHARTER, 478
VOYAGE POLICY, 482; stamping of, 481

WAGER POLICY, 482
WALKS CLERK (Banking), 327
WARRANT (Customs), 221
WARRANTY defined, 131; Implied, 132
WASTE, note on, 81
WASTING ASSETS, 418
WATERED CAPITAL, 419
WEAVER NAVIGATION, 282
WEIGHTING (Assurance), 514
WEST INDIA DOCKS, 227
WEST INDIAN ROUTE, 279–280
WHITE STAR LINE, 275, 276 *note*. 279
WHOLE LIFE POLICY, 511
WILSON LINE, 274
WINDMILLS (Bills), 330
"WITH BANKERS' CHARGES ADDED," 333
"WITH EXCHANGE ADDED," 333
WOERMANN LINE, 279
WOOL EXCHANGE, procedure at, 158–165
WORKING CAPITAL, 418
WORKMEN'S COMPENSATION ACT, 1906, 536

YORK-ANTWERP RULES, 503

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